Midterm elections
Bleak outlook for Clinton
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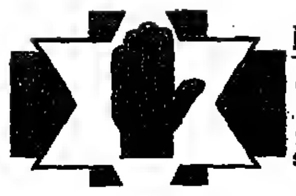
UK rate rise
Why confidence needed boosting
Samuel Brittan, Page 12

Trains in a vacuum
Swiss rail plan breaks new ground
Page 10



Northern Ireland
Challenge is to win the peace
Survey, Pages 23-25

FINANCIAL TIMES

Europe's Business Newspaper THURSDAY SEPTEMBER 15 1994 D8523A

UK may be closer to lifting broadcast ban on Sinn Féin

The British government may be closer to lifting its six-year broadcasting ban on Sinn Féin amid signs of edging nearer to accepting the IRA ceasefire as permanent. But Prime Minister John Major made clear the government required more evidence before it would accept unequivocably that violence was over for good. Page 14

Six killed at British port: Six people were killed when a ferry gangway collapsed at the British port of Ramsgate. Four Americans, one Austrian and one Japanese tourist were among the seven people injured in the accident. Page 8

Air France pilots to strike: France's main airline pilots' union has called a partial strike over pay at the national airline Air France tomorrow and Saturday. Page 2

Russia faces energy crisis: An energy crisis more severe than any since the collapse of the Soviet Union now threatens Russia and its neighbouring states. Page 3

Norddeutsche Landesbank-Girozentrae will pay DM1bn ($600m) for a 10 per cent stake in Bankgesellschaft Berlin in one of the largest German banking deals in recent years. Page 15

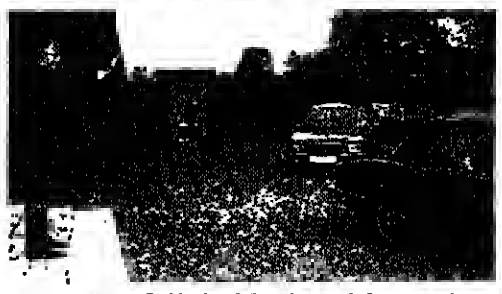
KLM Royal Dutch Airlines agreed to increase its stake in Northwest Airlines, the fourth-largest US carrier, from 20 per cent to 25 per cent. Page 15

T&N, UK automotive components and engineering group, was in talks last night for the acquisition of a majority stake in Kolbenschmidt, leading German automotive components producer. Page 15

Barclays de Zoete Wedd, investment banking arm of Barclays, signalled a move towards a new generation of management by announcing that John Spencer, deputy chief executive, is to leave the firm at the end of the year. Page 15

Coffee prices tumble: International coffee prices tumbled by $153 a tonne as London traders expressed confusion over Brazilian government plans to halt sales of its stockpile. Page 26

Major lectures Santer on Europe:



John Major (left), British prime minister, met Jacques Santer, federalist president-designate of the European Commission, in the third of a series of sessions that Mr Santer is holding with European Union heads of government. The meeting, at Chequers, the British leader's country retreat, was described as "friendly", but Mr Major is said to have lectured Mr Santer on the importance of the nation state. Page 2

Polish interest rates row: The Polish government has called on the country's central bank to lower interest rates and has attacked the bank's recent decision to lower the adjustable monthly devaluation rate – which devalues the zloty in order to keep exports competitive – from 1.6 per cent to 1.5 per cent. Page 3

US backs nationwide banking: Bank industry lobbyists in Washingtoo breathed a sigh of relief after the Senate finally passed a bill to allow banks to set up branches more freely outside their home states. Page 4

US team finds cancer gene: A US research team has won the race to the most sought-after goal in science this year – isolating the geoe that causes an inherited form of breast cancer. Page 14

Dutch join soap war: Unilever's new laundry detergent was criticised by the Dutch consumers' association which concluded after tests that "the damage" the detergent did to some clothes was "too great". Page 14

Heatwave cuts trade surplus: Japan's summer heatwave produced an unexpectedly large 18.8 per cent fall in the August trade surplus, the first year-on-year drop for three months. Page 5

West's economic policies attacked: Leading industrialised nations are running restrictive economic policies which are suppressing global demand and contributing to high unemployment, according to the UN Confereoce on Trade and Development. Page 6

■ STOCK MARKET INDICES

FT-SE 100:	3,079.8	(-41.6)
Yield	4.11	
FT-SE Eurotrack 100	1,360.68	(-6.73)
FT-SE-A All-Share	1,546.37	(-1.3%)
Nikkei	19,919.38	(-126.73)
New York lunchtime		
Dow Jones Ind Ave	3,886.59	(+6.73)
S&P Composite	467.93	(+0.41)

■ US LUNCHTIME RATES

Federal Funds:	4¾%
3-mo Treas Bills: Yld	4.688%
Long Bond	97⅝
Yield	7.683%

■ LONDON MONEY

3-mo Interbank	5¹³⁄₁₆%	(same)
Liffe long gilt future:	Dec 98⅝	(Dec100⅛)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$15.856	(16.075)

■ GOLD

New York Comex (Dec)	$392.9	(394.5)
London	$390.5	(389.7)

■ STERLING

New York lunchtime:		
$	1.56845	
London:		
$	1.5687	(1.5613)
DM	2.4116	(2.4189)
FFr	8.2522	(8.2726)
SFr	2.0008	(2.0171)
Y	155.1	(154.634)
£ Index	79.2	(same)

■ DOLLAR

New York lunchtime:		
DM	1.53875	
FFr	5.269	
SFr	1.279	
Y	99.145	
London:		
DM	1.5374	(1.5493)
FFr	5.2607	(5.2987)
SFr	1.2755	(1.292)
Y	98.875	(99.045)
$ Index	62.1	(62.4)
Tokyo close Y 98.53		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs50	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.80	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mI'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Beijing bars Jardine from role in HK port project

Attack on trading group sours Sino-British ties on eve of Hurd visit

By Simon Holberton in Hong Kong

China has ruled out the participation of the Jardine group, the trading empire which has long been central to Hong Kong's fortunes, in a consortium to extend the colony's container port.

The move puts on hold the development of the world's busiest container facility, and casts a doubt over Jardine's ability to expand its business in China or Hong Kong after the 1997 handover of the colony.

In a thinly-veiled attack oo the company and governor Chris Patten, Beijing's semi-official Hong Kong China news agency questioned the qualifications of Jardine to operate a container terminal, and alleged it had won the right to develop the port because of political favouritism. The commentary said Jardine "has no confidence in, and does not wish to make any commitment to, the future of Hong Kong".

China's move, which came oo the eve of a visit to Hong Kong by Mr Douglas Hurd, Britain's foreign secretary, marks a worsening in Sino-British ties, which appeared to be on the mend.

Jardine has enjoyed a tempestuous relationship with the Chinese leadership over the past decade. This year it angered China when it decided to de-list from the Hong Kong Stock Exchange partly because it had little faith in China's ability to run the colony fairly after it resumes sovereignty in 1997.

The last straw, however, appears to have been the 11th hour change in voting intention of Mr Martin Barrow, a Jardine executive, at a crucial point in this June's Legislative Council debate on Mr Patten's democracy legislation. His decision to abstain delivered a one-vote victory to the government.

Beijing's attack yesterday was vigorously contested by Sir Hamish Macleod, Hong Kong's financial secretary, who said that the colony operated a "level playing field" for all contracts.

"Discriminatory practices run counter to all that Gatt and its successor the World Trade Organisation is trying to achieve," he said.

In the first six months of this year throughput at Hong Kong's container port rose 26 per cent compared with the same period last year. Construction of the port extension, already 18 months delayed, appears to hinge on the ejection of Jardine from the Tsing Yi consortium, in which it has a 30-40 per cent equity stake. Jardine is thought to be under pressure from partners to withdraw.

High anxiety for Hurd, Page 5

AT&T opposed to US move

Phone ruling promises transatlantic call savings

By Andrew Adonis in London and George Graham in Washington

The cost of transatlantic phone calls is set to fall sharply after a ruling by US regulators, expected next week, which will open the way to greater competitioo on the UK-US route.

The new regime – called international simple resale – will also have far-reaching implications for the existing cartel between international phone companies, which keeps cross-border prices artificially high.

The Federal Communications Commission, the US regulatory authority, is expected to say next week that the UK's telecoms regime offers competitive opportunities broadly similar to those in the US.

That will be followed by a reciprocal declaration by the UK government, after which ISR is likely to be permitted.

Under the system, operators resell lines leased from the leading transatlantic carriers at a discount to existing tariffs, and are allowed to connect the calls across the public network in both countries. Until oow, resale operators have not been allowed to utilise the public oetwork on both sides of the Atlantic, restricting resale opportunities mainly to the large corporate sector.

The new competitioo might precipitate a price war on the lucrative US-UK route.

The US and the UK have competitive telecoms regimes, with well established domestic rivals to British Telecommunications, the former UK monopoly operator, and to American Telephone & Telegraph, which had a near monopoly in the US market until its break-up in 1984.

Several large US phone companies have gained licences to operate in the UK since the abolition of the BT/Mercury duopoly in 1991, with AT&T itself granted a draft licence in July. UK operators are also active in the US.

AT&T fought strongly against the latest ruling by the FCC. Yesterday it claimed that BT was keeping prices artificially high by refusing to agree to its plan for a cut of nearly two-thirds in the rate which BT and AT&T pay each other for delivering international calls. Transatlantic phone prices have fallen sharply, with BT's UK-US prices down by more than a third over the past three years.

However, analysts believe there is large scope for further cuts. Industry estimates suggest that it costs resale operators little more thao 7p a minute in direct oetwork charges to deliver a US-UK call, yet the daytime prices charged by BT and AT&T average nearly 45p a minute.

The US accounts for about a fifth of BT's international traffic, while the UK is the third-largest destinatioo for outgoing calls from the US.

BT conceded yesterday that

Cootinued on Page 14
Lex, Page 14

Reuter

Former Washington mayor Marion Barry, who resigned in 1990 and served six months in prison on drugs charges, pictured yesterday after he had once more won the Democratic nomination for the mayoral election in November

Report, Page 4; Feature, Page 13

Forte wins battle for Meridien hotels

By John Ridding in Paris and Michael Skapinker in London

Forte, the UK hotels and restaurants group, defeated Accor, its French rival, yesterday to win control of Meridien, the luxury hotel chain owned by Air France.

The British group offered FFr1.09bn ($200m) for the French airline's 57 per ceot stake in Meridien, valuing the chain at FFr1.9bn. Accor's offer valued Méridien at FFr1.7bn.

Forte is now required to make an offer to minority shareholders.

The sale follows Forte's failure this week to fulfil its long-held ambition to win outright control of Savoy, the UK luxury hotel group. This year it also failed to acquire Ciga, the Italian luxury chain, which was purchased by ITT Sheraton of the US.

Mr Rocco Forte, Forté chairman, described the purchase as an important step in "transforming Forte into a major player in the international luxury hotel market". He said it gave Forte its first entry into Asia and increased its presence in Europe, the Middle East and North America.

Yesterday's decision by Air France follows several months of heated competition between the British and French rivals. Accor strongly lobbied the centre-right government of prime minister Edouard Balladur, arguing that its offer would keep Meridien in French hands.

Accor's pressure prompted a delay in the sale process, which was launched in April when the two companies tabled their original bids. Both companies increased their original valuations of Meridien by about FFr100m in an attempt to gain control.

Mr Christian Blanc, chairman of Air France, said Forte's offer was accepted because of financial considerations. The French airline is seeking to raise capital and reduce debts as part as a rescue package aimed at curbing losses which amounted to FFr8.48bn last year. The European Commission ordered the airline to dispose of Meridien by the end of the year as a condition for

Continued on Page 14
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Battle for Méridien, Page 15
Savoy results, Page 22

UK employees top EU table of 48-hour working weeks

By David Goodhart, Labour Editor, in London

Nearly half of the 7m male employees in the European Union working a 48 hour week or more are employed in the UK, according to the annual Employment in Europe report published yesterday by the European Commission.

The report's figures on working time in the EU help to explain the UK's strong resistance to the European working time directive, passed earlier this year, which places strict controls oo working more than 48 hours per week.

Betweeo 1983 and 1992 average hours usually worked per week declined by just under 4 per cent. By far the largest reduction was in the Netherlands, where average hours fell by 13 per ceot. By contrast, in Italy and the UK the fall was only 1 per cent or less.

Oo unsocial bours, the report found that in 1992 7 per cent of men in the EU and 3 per ceot of women worked at night, with another 11 per cent of men and 5 per cent of women sometimes working at night. Almost half the men employed in the EU have jobs which involve them working oo Saturday at least some of the time.

The Commission report takes issue with the high levels of part-time work reported by some countries. Defining part-time work as 10 to 29 hours a week, the Netherlands has only 36 per cent of women working part-time – rather than the 59 per cent claimed – and the UK has 33 per cent as opposed to the 44 per cent claimed.

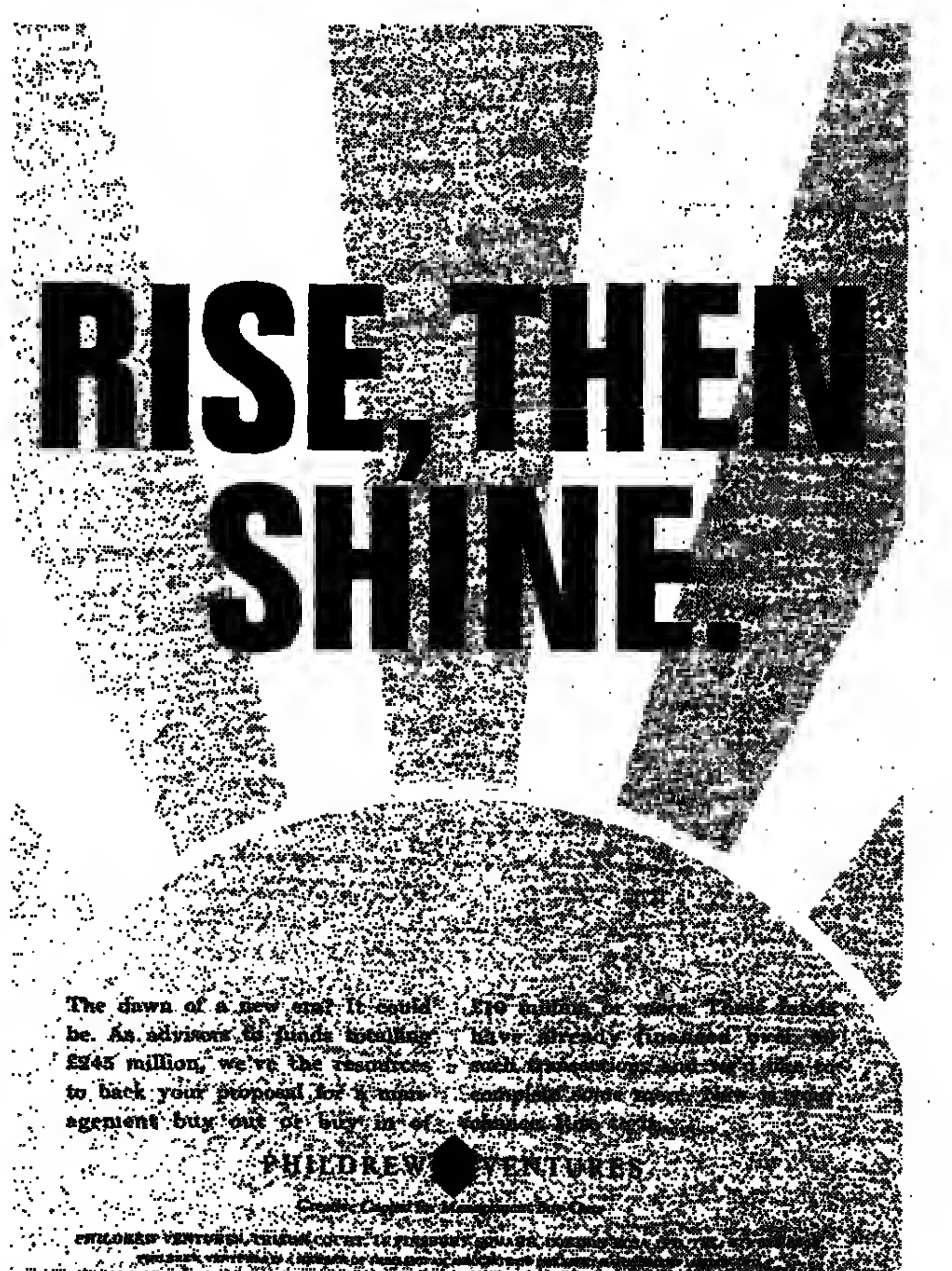
But the UK is the only EU country which has ooo-wage labour costs which bear less heavily on low-paid workers. The report also implicitly backs the UK government's arguments against a minimum wage by stating that "low pay [in the UK] is a relatively minor source of poverty levels of income".

Overall poverty is associated with low pay, but in Belgium, the Netherlands, Ireland and the UK, being out of work is the main cause of poverty.

Other points in the report are:

- More people in the EU are oow employed in construction than in agriculture. And almost as many people are employed in business services – the biggest growth sector between 1985 and 1992 – as in agriculture.
- In Germany and Spain 90 per cent of the unemployed find jobs through public employment services. In the UK and Portugal the figure is less than 30 per cent and in Greece less than 10 per cent.
- In Belgium 63 per cent of any increase in labour costs goes to the state. In other words, the total cost of raising an employee's pay is nearly three times the additioo to their net pay.
- Io geoeral, exchange rate movements rather than differentials in prodoctivity or wage rises have been the major determinant of the cost competitiveness of European producers.

Job mobility challenged, Page 2



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Major puts UK view to Santer

By Kevin Brown, Political Correspondent

Mr Jacques Santer, the federalist president-designate of the European Commission, got his first formal lecture on the importance of the nation state yesterday from Mr John Major, the British prime minister.

Mr Santer, who takes over from Mr Jacques Delors in the New Year, spent a couple of hours absorbing the British view in the third of a series of meetings with EU heads of government.

The meeting was described as "friendly," but the tone was markedly different to that during Mr Santer's earlier stopovers in Ireland and France.

Mr Major emerged from the meeting at his country retreat to stress Britain's long objection to moves towards a single currency at the next inter-governmental conference in 1996.

"I don't think the IGC in 1996 has anything to do with a single currency," Mr Major said, confirming the British view that the issue of monetary union was settled in the Maastricht treaty.

Mr Major won some support from Mr Santer for his objection, forcefully expressed in a speech in The Netherlands last week, to proposals floated by the German CDU party for a core union of five or six member states, excluding Britain.

Mr Santer said it was important for all 12 member states to move forward together. However, he also said that all 12 should achieve the objectives set out by the Maastricht treaty, which include economic and monetary union.

This would conflict with Britain's preference for a union of "variable geometry", in which the member states would be free to reject developments outside core areas such as the single market.

British officials said that Mr Major had made clear Britain's view that the union should concentrate on subsidiarity, deregulation, free trade and enlargement rather than the destruction of the nation state.

Conventional view on labour mobility not borne out by Commission report

Flexibility 'no answer to jobs crisis'

By David Goodhart, Labour Editor

Increased labour flexibility and higher job turnover provides no simple solution to Europe's unemployment problem, the European Commission declared yesterday in its sixth report on Employment in Europe.

The report challenges the conventional view that ease of movement into and out of jobs is a necessary condition of low unemployment.

About 17 per cent of people in work in European Union countries were not in their present job one year ago. But countries which have above average labour turnover, including Spain, where 28 per cent were in a new job, Denmark, the UK and the Netherlands, represent both ends of the unemployment spectrum.

Spain, for example, has the highest level of unemployment in the EU and the Netherlands are now below the average.

Similarly, at the other end of the mobility scale, the rate of turnover was under 13 per cent in Greece as well as in Italy, and only around 15 per cent in Belgium, Germany and Luxembourg, which also represent wide variations in unemployment rates.

The report, which picks up many of the themes first discussed in the Delors white paper on employment published last year, concludes that countries with a low level of external labour market flexibility may compensate with higher flexibility within companies.

The report also reflects the white paper's concern with high non-wage labour costs in Europe and the relatively poor employment creation record compared with the US and Japan. Social contributions in the EU averaged 22 per cent of labour costs in 1991, only slightly above the US figure of 21 per cent while the Japanese figure was 15 per cent.

However, if employer and employee contributions, plus taxes on wages are added together, the average "wedge" - between the cost of employing labour to companies and the net earnings which workers receive - is 45 per cent in the EU, 40 per cent in the US and 30 per cent in Japan.

The report says that in nine out of 12 EU countries the non-wage labour costs imposed by government bear proportionately more on workers at the lower end of the earnings scale than on those at the higher end. But the UK is a notable exception.

"The only country where differential contributions provide any incentive for employers to take on lower paid workers is the UK," states the report.

The UK government may also draw some comfort from the fact that incentives to work are in good order. Unlike most EU countries low pay is a relatively minor source of poverty in the UK.

"Overall in the EU, there are more households which fall below the poverty level of expenditure because of low pay than because of unemployment or disability. Only in four member states - Belgium, the Netherlands, and most especially, Ireland and the UK, where being out of work was the major source of poverty - was this not the case."

Between 1985 and 1992 business services made the largest contribution to employment growth across the EU, accounting for almost one in five of the net addition to jobs. But high job losses between 1990 and 1992 occurred in many of the former high growth areas including estate and travel agents and research and development institutes.

The areas of job growth in the EU over the past 20 years have been much the same as in the US and Japan. "The most striking difference is not in the areas where employment has risen, but in terms of the scale of jobs losses which have occurred in declining sectors (particularly agriculture). This seems largely responsible for the lower overall rate of employment growth in the EU than elsewhere."

Professional and technical jobs, which accounted for only 15 per cent of the total in 1983, were responsible for 40 per cent of the rise in employment between 1987 and 1992.

But there are still marked variations between countries in employment structure. In Germany, for example, 50 per cent more of the workforce are employed in engineering and motor vehicles than elsewhere.

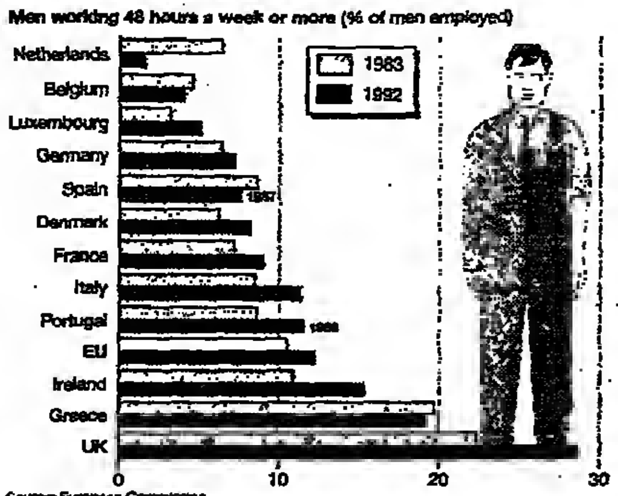
Germany also continues to have a relatively small proportion of its workforce in services. It is sometimes suggested that this is a statistical illusion and that much the same jobs are performed in Germany as elsewhere but they are located in industrial companies rather than specialised services companies. The report maintains otherwise.

"Fewer service activities are performed in Germany than in other comparable European countries - or, at least, fewer people are employed which might possibly be the result of higher productivity in services in Germany than elsewhere."

Most of the people employed in the EU now work in small companies. In 1991, companies with fewer than 100 employees accounted for 55 per cent of those employed in the EU and companies with under 10 employees for about 30 per cent. This is much the same as in Japan.

UK leads the longer-hours league

Men working 48 hours a week or more (% of men employed)



Source: European Commission

Brussels switches tack on industrial policy

By Lionel Barber in Brussels

The European Commission yesterday unveiled a new-look industrial policy which abandons once-cherished notions such as national champions and sectoral protection in favour of life-long vocational training, global strategic alliances, and an aggressive competition policy.

The recommendations are spelt out in a report on industrial competitiveness which offers evidence of new thinking in Europe in response to mounting competition from the US and East Asia.

Mr Martin Bangemann, the EU industry commissioner, added spice to the report with a call for a shake-up in EU and national bureaucracies to end excessive bureaucracy and unnecessary delays for businesses seeking licences for new products.

"Some of the delays are unbelievable. Take biotechnology. Two years to wait for administrative procedures is too long. Even if you get the right decision, you miss the market opportunity," he told a news conference in Brussels.

The Commission report is striking for its advocacy of a tough competition and regulatory policy to complement its call for greater liberalisation and deregulation in Europe.

Mr Bangemann cited the Commission's recent approval of the BT-MCI alliance to provide global telecom services to multinational companies as an example. While the deal could be interpreted as restricting competition in a narrow sense, it was vital to view the deal in the context of the global market, he said.

Other officials said the Commission was pressing for an agreement with the US and Japan on how to vet the unfolding strategic alliances in telecommunications and ensure a level playing field. The hope is that a common position can be reached within the World Trade Organisation.

The Commission report also calls for a fresh look at state aid criteria. One idea is to apply general rather than sectoral rules, but Mr Bangemann conceded yesterday that this idea was too radical for most fellow commissioners and member states.

The report calls for a more "rigorons and nentral" approach to state aid, with tongher application of the rules in richer member states. However, the recent approval of $3.7bn (£2.38bn) restructuring plan for Air France, the ailing national flag carrier, underlines that this is easier said than done.

In the area of international trade, the paper said the EU should establish an "industrial assessment mechanism" to analyse why the EU is performing badly in markets where it should be strong.

An industrial competitiveness policy for the European Union. Directorate III, Rue de la Loi, 200. B-1049 Brussels.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-August 1994

	Volume (Units)	Volume Change(%)	Share (%) Jan-Aug' 94	Share (%) Jan-Aug' 93
TOTAL MARKET	8,517,000	+6.0	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,369,000	+4.5	16.1	16.3
– Volkswagen	882,000	+1.6	10.4	10.8
– Seat	224,400	+18.4	2.6	2.4
– Audi	222,000	+1.9	2.6	2.7
– Skoda*	41,000	+11.8	0.5	0.5
General Motors#	1,094,000	+5.1	12.8	13.0
– Opel/Vauxhall	1,048,000	+4.4	12.3	12.5
– Saab**	36,000	+35.3	0.4	0.3
PSA Peugeot Citroen	1,083,000	+11.8	12.7	12.1
– Peugeot	651,000	+10.3	7.9	7.3
– Citroen	432,000	+13.5	5.1	4.7
Ford group#	1,004,000	+8.8	11.8	11.8
– Ford	997,000	+5.9	11.7	11.7
– Jaguar	7,000	-9.9	0.1	0.1
Fiat group##	946,000	+6.0	11.1	11.1
– Fiat	738,000	+10.1	8.7	8.3
– Lancia	119,000	-4.5	1.4	1.5
– Alfa Romeo	78,000	-10.5	0.8	1.1
Renault	918,000	+8.8	10.8	10.5
BMW group	543,000	+5.8	6.4	6.4
– BMW	269,000	+2.7	3.2	3.3
– Rover	274,000	+8.9	3.2	3.1
Mercedes-Benz	288,000	+34.5	3.4	2.7
Nissan	275,000	-4.5	3.2	3.6
Toyota	219,000	-4.1	2.6	2.8
Volvo	137,000	+17.5	1.8	1.5
Mazda	127,000	-10.5	1.5	1.8
Honda	121,000	+6.1	1.4	1.4
Mitsubishi	84,000	-17.2	1.0	1.3
Suzuki	52,000	-24.8	0.6	0.9
Total Japanese	927,000	-7.4	10.9	12.5
MARKETS:				
Germany	2,219,000	-0.3	26.1	27.7
Italy	1,284,000	-2.5	15.1	16.4
France	1,297,000	+14.7	15.2	14.1
United Kingdom	1,443,000	+9.8	16.9	16.4
Spain	620,000	+20.4	7.3	6.4

*VW holds 31 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates.

Fiat row hits new car sales data

By Kevin Done, Motor Industry Correspondent

Disagreement between Fiat, the Italian car producer, and rival European carmakers importing cars into Italy, has created confusion over the publication of new car sales figures in Italy.

The conflict, exacerbated by the inability of the Italian government to provide prompt information on new vehicle registrations, is undermining the disclosure of west European new cars sales data.

The traditional arrangement between the two Italian motor industry trade associations - Anfia for the domestic industry and Unrae for the importers - for the exchange and joint publication of sales figures has broken down.

The Anfia/Unrae figures, which report wholesale deliveries to dealers rather than domestic registrations, have become increasingly unreliable, as they are distorted by the high volume of cars being re-exported from Italy to neighbouring countries.

Fiat has insisted that the task of reporting new car sales should be handed over to the Italian government, but the Transport Ministry is still struggling to provide quick and accurate registration data.

Traditionally the government has required 3-4 months to produce the data, but the Italian motor industry is hopeful that this can soon be reduced to less than 10 days.

According to estimates released by Acea, the European Automobile Manufacturers Association - using a combination of registration and wholesale figures for Italy - overall west European new car registrations rose by only 0.6 per cent year-on-year in July to 815,000, while registrations in August rose by 4.7 per cent year-on-year to 1.08m.

EUROPEAN NEWS DIGEST

Pilots' strike hits Air France

Pilots at Air France are to strike tomorrow and Saturday after talks on productivity broke down. The strike is a setback for Mr Christian Blanc, Air France's chairman, who wants to raise productivity by 30 per cent by 1997 as part of a rescue package. Last year, the ailing state-owned carrier suffered losses of FFr8.48bn (£1.02bn). The SNPL pilots union opposes plans to cut flight bonuses while Mr Blanc claims the pilots' counter proposals on productivitywould increase average pay by about 10 per cent. "No company, even the most flourishing can allow that today, and Air France is not flourishing," he said in a letter to the union. Air France said it could guarantee about a third of medium-range international flights tomorrow and Saturday and hopes to run more long-range flights. The SPAC, the second and smaller pilots' union, is also taking action. *John Ridding, Paris.*

OECD rivalry intensifies

Ambassadors of the 25 members of the Organisation for Economic Co-operation and Development met yesterday and again failed to resolve the Franco-Canadian rivalry for the secretary-generalship, increasing the prospect of no decision before the term of the French incumbent, Mr Jean-Claude Paye, ends on September 30. The only new development this week came with the withdrawal of Mr Lorenz Schomerus, the German candidate who had been holding up the rear of the pack in the race. This probably gives one further vote to Mr Paye, who is running for a third five-year term and who may now have a majority of OECD governments behind him. However, the OECD takes decisions by consensus, and the US has so far given no indication of withdrawing its strong support for the Canadian candidate, Mr Donald Johnston. Washington argues it is time for the organisation to be run by a non-European, and has brought Japan, Mexico, Australia and New Zealand into the Johnston camp. *David Buchan, Paris*

Gonzalez submits to questions

Mr Felipe González (left) yesterday took a leaf out of the British parliament's book when he inaugurated a prime minister's question time, but his answers dealt a blow to his government's efforts to engineer a restrictive budget. In his first appearance in what will be a weekly 15-minute interrogation by the lower house in Spain's Cortes, Mr González effectively promised that pensions would be indexed to inflation. He said that while he was in government there would an "extraordinary payment" to pensioners when their income was overtaken by price rises. The commitment will place a considerable burden on the government's economic team as it tries to craft a budget that will reduce the public deficit next year to 5.9 per cent of GDP, down from 6.9 per cent this year. The question time forms part of an effort by Mr González to regain the initiative following strong gains by the opposition conservative party in June's European elections. Since he gained power in 1982, the prime minister has only attended major parliamentary debates. *Tom Burns, Madrid*

Germany can keep PCP ban

Germany can continue its ban on pentachlorophenol (PCP), the disinfectant used for wood preservation and textile treatment, the European Commission said yesterday. The ruling will appeal to ecology-conscious Sweden which is about to hold a referendum on EU membership. It means countries can apply higher environmental standards than their EU partners in selective areas, despite the general requirement for harmonisation in the internal market. Last May, the European Court of Justice declared void the original Commission decision to uphold Germany's PCP ban. It was the first Court ruling on the application of treaty legislation allowing exemptions from EU legislation on the internal market. Yesterday, the Commission justified its second decision by referring to unusually high PCP levels in Germany. *Lionel Barber, Brussels*

Czech coffee 'cartel' fines

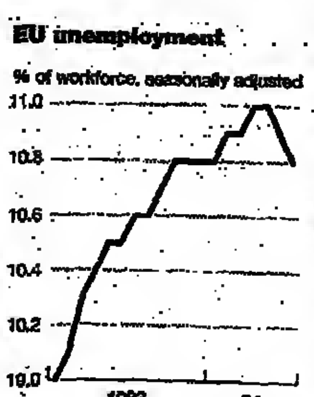
The Czech economic competition ministry has imposed "significant" fines on two local coffee market leaders for using what it calls cartel-style tactics to raise domestic coffee prices. The ministry has started legal action against the Czech Coffee Union (CKS), an industry lobby group, and two of its members, Tchibo Praha and Balirny Douwe Egberts, accusing them of co-ordinating a policy of gradually increasing prices. In July, the CKS asked domestic producers to raise coffee prices by 10 per cent monthly to fall into line with the general surge in world prices caused by two severe frosts which ravaged plantations in Brazil. Local packager Balirny Douwe Egberts, a subsidiary of Dutch-American firm Douwe Egberts, increased its prices by 10 per cent at the start of July, as did the local market leader, German retailer Tchibo Praha. According to the ministry, domestic coffee prices have now increased by more than 50 per cent since the CKS issued its request. Between them, Balirny Douwe Egberts and Tchibo Praha are reported to hold 75 per cent of the Czech coffee market. *Reuter, Prague*

Lukoil seeks western investors

Lukoil, Russia's biggest oil producer, plans to float shares on western stock exchanges once domestic privatisation is completed next year, the company vice-president, Mr Vladislav Bazhenov, said yesterday. The company has discussed prospects for floating shares in New York or London with exchange officials and Mr Bazhenov said foreign investors had shown interest. However, foreign listings might be a long way off as the company's books would probably have to be examined by an international auditing firm. *Reuter, Moscow*

ECONOMIC WATCH

EU unemployment falls



Source: Eurostat

Seasonally adjusted unemployment in July in the European Union fell 0.1 percentage points from June to 10.8 per cent. The fall was particularly apparent among women of all ages, and men below 25. Total female unemployment fell by 0.4 of a percentage point to 12.4 per cent, compared to the male rate of 9.6 per cent. Male youth unemployment fell to 18.6 per cent, down 0.4 of a percentage point, while total youth unemployment fell from 19.9 per cent to 19.6 per cent. The only countries which recorded a rise in unemployment were Denmark (from 10.4 to 10.6 per cent) and the Netherlands (9.7 per cent to 9.8) The most marked falls in youth unemployment were recorded in Belgium and Spain.

● West German wholesale prices rose 0.2 per cent in August from July, up 2.2 per cent from a year earlier, the Federal Statistics Office reported.

● Spain's central bank announced that monetary growth was on target during the first eight months of 1994. M4 grew by 5.8 per cent during the year until September.

NEWS: EUROPE

Energy crisis deepens for ex-Soviet states

By John Lloyd in Moscow

An energy crisis more severe than any since the collapse of the Soviet Union now threatens Russia and its neighbouring states – as oil output and inter-enterprise debts in Russia continue to worsen and the other members of the Commonwealth of Independent States sink deeper into debt to Russia for energy supplies.

Mr Yuri Shafrannik, the oil minister, said that the payments crisis in the industry meant that preparations for the autumn and winter surge in energy use were "strained". At the same times, increasing debts to Russia in Ukraine and Belarus now threaten the provision of oil and gas to these hard-hit states.

Mr Shafrannik told a meeting of a government committee on the day-to-day running of the economy that oil output in the first seven months of the year was down by an average of 62,000 tonnes a day on the same period last year, and 4.72m down on the planned level for that period. The minister expects the outturn of the year to be 291.9m tonnes of oil and gas condensate – 6.8m tonnes less than the forecast level and just over 60m tonnes down on last year's estimated production level of 353m tonnes.

In the refineries, worst hit by the debt crisis, only 104.9m tonnes were refined with a planned level of 128.9m tonnes. Mr Shafrannik said that 26.4 per cent of the oil wells in Russia were standing idle.

With Russia's oil and gas supplies increasingly directed towards western hard currency markets, the drop in output seems certain to mean a further cut in the already relatively meagre energy exports to the CIS countries – reduced last year to 57.5m tonnes from a 1991 level of 136m tonnes. Gasprom, the state gas monoply, warned yesterday wed that it would further cut gas supplies to regions of Ukraine because of non-payment of back debts.

Gasprom last week cut supplies to Mariupol in the Donetsk region by more than half to 100,000 cubic metres of gas a day, and yesterday warned it would immediately cut supplies to the Kharkov region by 40m cubic metres a day. According to the Interfax news agency, Ukraine agreed to pay $340m in August and September for gas supplies, but paid only 30 per cent of the amount.

In Belarus, Mr Stanislav Bogdankevich, chairman of the central bank, told the Tass news agency that the state owed Russia Rbs1,000bn (£309.6m) for energy supplies and that the debt was rising.

He said that Russia had proposed the debt be paid by goods and industrial production, and by shares in Belarussian enterprises – but said that a schedule of payments by this kind of barter had not been agreed.

The position in the other republics is generally worse – with the two Caucasian republics of Georgia and Armenia unable to pay for the supplies they presently receive and which are constantly under threat.

Swedes offered few promises on jobs

By Christopher Brown-Humes in Stockholm

SWEDISH ELECTIONS
September 18

Some Swedish companies used to employ 30 per cent more staff than they needed – just to cover for those who did not turn up to work on a particular day. During the three-year recession, absenteeism declined dramatically and a shake-out in companies helped to speed up the increase in unemployment.

In the run-up to Sweden's election on Sunday, even the optimists have accepted that the country will never return to the halcyon days of the late 1980s when unemployment was below 2 per cent. Although much of the election campaign has centred on the state of the public finances, unemployment has been a recurrent theme in public meetings and in the *valstugas* – the street corner huts erected in their thousands by political parties at election time.

Sweden's unemployment has soared to 14 per cent (including those on training schemes) from below 5 per cent in just three years. This has played havoc with state finances because of lower tax revenues and heavy funding costs. It is also an unprecedented trauma in a country with little experience of unemployment. The country's current plight represents one of the biggest failures of the Swedish model which was supposed to deliver job security in return for labour market restraint.

The multinationals laid off as many as 20 per cent of their employees between 1991 and 1993 to improve productivity and regain competitiveness.

With the economy recovering, there is clear evidence that unemployment is past its peak. But 600,000 people are still out of work, including those on training schemes. Last year the problem cost Sweden SKr82bn (£6.8bn), or 5.7 per cent of GDP, a level only exceeded by Finland and Denmark in the OECD area, and accounted for nearly half the entire budget deficit.

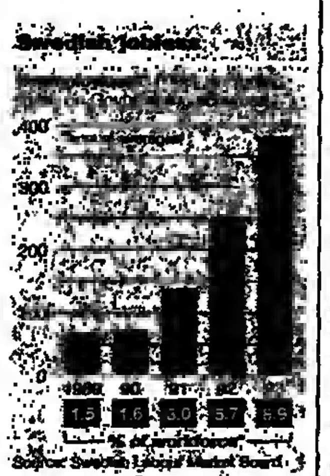
None of the parties is offering dramatic or easy solutions. The Social Democrats, who look likely to return to power, have detailed a specific programme for creating 90,000 new jobs in their first year of office, emphasising infrastructure programmes and favourable tax treatment for investments. The ruling centre-right coalition wants to improve the overall business climate, saying it can create 500,000 new private sector jobs by the end of the century.

What unites the parties is a common acceptance that the new jobs will have to be found in the private sector. This in itself is a breakthrough in a country which saw all of its employment growth between 1960 and 1993 derive from the public sector.

What distinguishes the programmes is emphasis. The Social Democrats believe active government policies can have an impact, even in the short term. But they differentiate companies from their owners, giving the former much more favourable tax treatment.

Government policies are more long-term, and there is more stress on providing incentives for the start-up of new business.

One reason for urgency is that Sweden wants to tackle long-term unemployment before it becomes entrenched. This is why the Social Democrats reject the type of tough fiscal and monetary strategy pursued by Denmark in the 1980s because they say it has led to a permanently high level



of long-term unemployment. If they act now, they believe, they can stop labour market bottlenecks stimulating inflation when unemployment falls to a certain level, the so-called non-accelerating inflation rate of unemployment.

Ms Mona Sahlin, the Social Democrats' party secretary, says: "Everyone knows that the longer people are doing nothing the harder it is to get them back into the workforce. We must avoid long-term structural unemployment."

Backing up this emphasis, her party aims to ensure that young people are not out of work for more than 100 days.

There is a belief that the upturn in the economic cycle will at least get the unemployment figure down to half its current level. But will it?

US experience suggests that most job creation in a modern western economy comes from services. And it is here that Sweden clearly has further to go, partly because there is a cultural resistance to the creation of a low-wage service sector. Opponents say pejoratively that they don't want to turn the country into a 1920s-style "maid" society.

There is also resistance to any further lowering of unemployment benefits, which have already been cut from 90 per cent to 80 per cent of former salary. Mr Lars Jagren, an economist with the Federation of Swedish Industries, believes Sweden will have to look again at both wage differentials and unemployment benefits if it wants to make real progress on unemployment.

"We have still not solved the crisis," he believes, "because we have still not accepted the changes needed to avoid long-term unemployment."

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Bundesbank 'shifts into neutral'

Andrew Fisher and Martin Wolf on a likely halt in Frankfurt to cuts in interest rates

The Bundesbank has decided to stand firm against further cuts in its key interest rates for the time being, with the next move, which may well be delayed until next year, as likely to be up as down. The fortnightly meeting of the German central bank's policy-making council today is not expected to make any changes to monetary policy.

Remarks by Mr Johann Wilhelm Gaddum, the Bundesbank's deputy president, give the strong impression that the discount and Lombard rates – 4.5 per cent and 6 per cent respectively – are set to stay put for some months. The same may also apply to the repurchase (or "repo") rate, which has been fixed at 4.85 per cent since late July.

Making clear that the central bank still holds fast to its money supply target, although its M3 goal has little chance of being reached this year, he said it was important to allay concern in bond markets about German inflation. The D-Mark strengthened on his comments.

"We have no reason to swerve from our stability-oriented policy," he said in Frankfurt on Tuesday night. The latest strengthening of the economy had occurred amid interest rate conditions previously thought to be too stringent, but "this shows that they were not too stringent", he said.

Thus, he added, "There is no reason in such a situation to take steps that could raise fears that the Bundesbank is setting the rudder in a direction that would be understood as expansionary."

He also dismissed any suggestion that the Bundesbank could try to pacify markets by setting its next securities repurchase rate – the bank refinancing transactions through which it steers money markets – at 4.80 per cent instead of 4.85 per cent, the level at which it yesterday announced a further tender.

"This would provoke the question – 'why 4.80 instead of 4.85 per cent?' This would be difficult as it would have to be justified and it could not be on the basis of developments in the money supply."

The last cut in rates was in May, when the discount and Lombard rates came down by half a percentage point. That cut was made to help move the liabilities of banks away from short-term deposits (included in M3, the broad monetary aggregate) into longer-term funds.

This reason no longer applied, said Mr Gaddum. The latest M3 data showed a slowdown in growth, though the rate of increase was still 9.8 per cent in August, well above the target range of between 4 and 6 per cent for 1994. Thus, said Mr Gaddum, the M3 trend was "still not satisfactory".

Some economists in Frankfurt charge the Bundesbank with having strayed too far from its traditional adherence to money supply objectives. They say any future moves in interest rates should be upwards.

The Bundesbank would probably choose the first quarter of next year to decide when to tighten, said Mr Thomas Mayer, Goldman Sachs' Frankfurt-based economist. "A further cut cannot be ruled out, but it is very unlikely."

Mr Gaddum's comment showed, he added, that "the Bundesbank has shifted its gears into neutral".

Other members of the Bundesbank's seven-man directorate – the core of its policy-making council – also feel there is no need for further rate cuts after those in May helped decrease the annualised rate of M3 growth from an alarming 15.4 per cent in March.

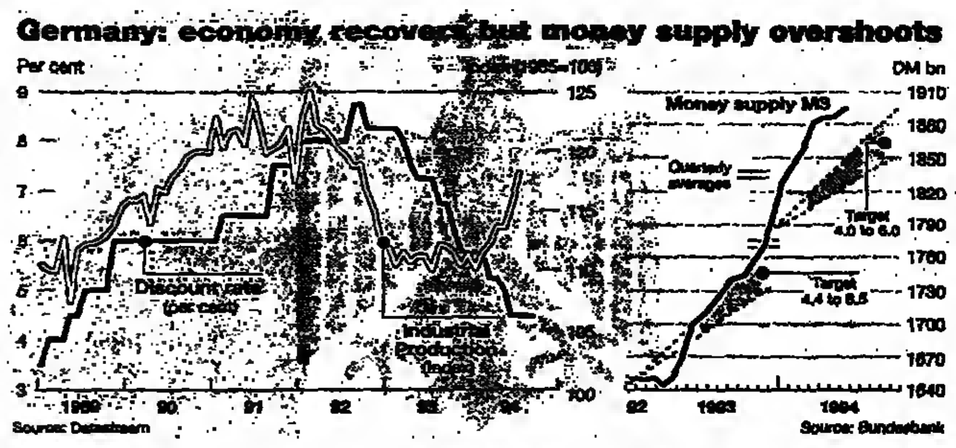
At the same time, there should be no need to raise interest rates to curb credit growth either, they argue. Loans to finance housing and construction, previously stimulated by the impending removal of tax breaks, are growing more slowly. Industry demand for credits will rise as the economy recovers, but the effect on credit expansion should be moderated by companies' improved cash flow.

Some economists also argue, on the basis of revisions to economic statistics for the previous two years, that economic overheating after the post-unification surge in growth was greater than thought. So last year's downturn merely brought the economy back on to its longer-term trend. Correspondingly, there is no significant economic slack, particularly after the unexpectedly large jump of 1 per cent in gross domestic product during the second quarter of 1994.

These economists expect that the Bundesbank – with some dissenting voices from the regional governors on the council - will regard this as another reason not to lower interest rates further. They expect it to incline towards trying to bring inflation down from the August rate of 3 per cent towards its goal of 2 per cent, particularly in view of the 0.2 per cent rise in wholesale prices in August over July, announced yesterday.

Mr Gaddum spoke sternly and robustly about the Bundesbank's commitment to curbing prices and pursuing money supply goals. "M3 is still the most important indicator – not the only one, but the most important one," he said.

Germany: economy recovers but money supply overshoots



Source: Datastream; Source: Bundesbank

Polish central bank in row over rates

By Christopher Bobinski in Warsaw

The Polish government has called on the country's central bank to lower interest rates and attacked the bank's recent decision to lower the adjustable monthly devaluation rate – which devalues the zloty in order to keep exports competitive – from 1.6 per cent to 1.5 per cent.

A government statement issued on Tuesday night deepens a row over how best to deal with growing foreign currency inflows which are inflating the money supply and increasing inflationary pressures.

It came as senior western commercial bankers gathered in Warsaw to sign formally a deal reducing Poland's $14bn (£9bn) commercial debt by 49.5 per cent which could produce capital inflows worth more than $1bn a year. Poland's net foreign debt stood at $44bn at the end of last April.

At the same time, Poland's foreign reserves have grown to around $11bn, largely because of a rise in exports to Germany. Capital inflows from cross-border trading, including hard currency from citizens of the former Soviet Union who come to Poland to purchase consumer goods, have also swelled reserves. The resulting growth in money supply has led the central bank to refuse to make the 1 per cent interest rate cut which the government is now openly demanding.

"High real interest rates are putting a brake on the country's economic development," the government said after a cabinet meeting on Tuesday.

The bank says, however, that inflationary pressures leave it no room to cut rates. It also maintains that the lower rate of zloty devaluation is necessary to encourage domestic currency savings by slowing the rate of dollar appreciation.

The rate of inflation for this year is expected to reach 27 per cent, or 4 percentage points more than forecast by the government in its budget for 1994. The government is also accusing the central bank of having infringed the law by not discussing the change in devaluation policy with the finance or the foreign trade ministries. The bank has denied the charge.

The row is accompanied by government proposals that the central bank's supervisory functions be transferred to an advisory council appointed by politicians. This suggestion has led Ms Hanna Gronkiewicz Waltz, the central bank chief, to warn that the bank's independence is under threat.

See Editorial Comment

Troops needed to establish order even if junta goes quietly, official says

US 'committed to occupation of Haiti'

By Jurek Martin in Washington

The US is committed to leading a temporary multinational occupation of Haiti even if the military junta in Port-au-Prince agrees to leave the island immediately, according to a senior administration official yesterday.

In a preview of President Bill Clinton's pivotal televised address to the nation tonight, Mr Strobe Talbott, deputy secretary of state, said the presence of such a force would be required to establish "basic civic order" before the restoration of the ousted government of President Jean-Bertrand Aristide.

Asked if anything could now prevent the invasion of Haiti, he replied that even if "belatedly the three principal dictators get the message and leave, it will still be necessary for an international force to be deployed anyway".

Mr Clinton's challenge tonight is severe, given the extent of political and public doubts about the wisdom of US involvement in a country whose intrinsic importance to the US is doubted.

Other senior officials, including Mr Warren Christopher, secretary of state, and Mr Leon Panetta, White House chief of staff, have given interviews preparing the ground for Mr Clinton.

But there is no ultimate substitute for the president, as commander-in-chief, to make the case for despatching US forces into danger, even when, as in Haiti, the strength of military opposition is probably nugatory.

Mr Talbott was intent on minimising the likely longer-term US exposure and maximising international support for the operation. He repeated that, after the initial invasion, the multinational force from 20 or more countries would comprise about 6,000 personnel, less than half of them American.

"This is not an exercise in nation-building," he said, and any temptation in the direction of "mission creep" for US forces, as happened in Somalia, would be resisted once civilian rule had been restored.

Mr William Perry, secretary of defence, seemed to leave some room for manoeuvre by not ruling out a concrete deadline for the departure of the junta, led by Lt Gen Raoul Cedras, the army chief, and Capt Michel François, head of the police.

But the prevailing mood in Washington, reinforced by Mr Talbott's comments, was that a decision to invade, spearheaded by a 20,000-strong US amphibian force, had been made and that only the question of timing remained in doubt. Yesterday another US aircraft carrier, the Eisenhower, left its Virginia port for Haitian waters to join the America, which sailed on Tuesday.

Criticism of the prospective invasion gathered force yesterday with demands from politicians and in the news media that Congresss be allowed to axpress its opinion before action is irrevocably taken.

Right: chairman of the US Joint Chiefs of Staff Gen John Shalikashvili (left), Marine Corps Commandant Gen Carl Mundy and Chief of Naval Operations Adm Jeremy Boorda, at a Pentagon ceremony yesterday. The three would be the top military commanders in any invasion of Haiti Picture: Reuter

Judge blocks shipments of N-fuel

By George Graham

A US federal judge has blocked shipments of spent nuclear fuel from European research reactors, throwing into chaos the US's policy of reducing the volume of bomb-type highly enriched uranium in use around the world. The move also jeopardises US credibility in talks under way in Geneva on renewing the Nuclear Non-Proliferation Treaty.

Judge Matthew Perry granted an injunction to the state of South Carolina barring the Department of Energy from storing 409 fuel rods from Europe at the Savannah River nuclear plant.

The department is expected to appeal against the decision, which has nevertheless thrown a spanner into the US's 30-year-old off-site fuel programme, under which the US agreed to accept spent fuel from participating foreign reactors in exchange for their commitment to switch to less dangerous low enriched fuel.

Although environmentalists and nuclear non-proliferation advocates have joined forces to back the department's decision to accept the fuel, Governor Carroll Campbell of South Carolina has fought against it.

"Governor Campbell is putting at risk a key element of US efforts to prevent the spread of nuclear weapons," said Mr Paul Leventhal, president of the Nuclear Control Institute, a Washington-based group.

The trust of the European reactors who signed up for the off-site fuel programme was stretched to breaking point when the US broke its side of the bargain for five years, following a lawsuit brought by environmentalists.

Some developing countries point to the US's failure to live up to its commitments as a good reason why they should not agree to an indefinite extension of the NPT.

Amnesty in plea to Brazil on human rights

By Angus Foster in São Paulo

Amnesty International yesterday called on candidates in next month's Brazilian elections to make human rights a priority for the next government. In a report highlighting several recent cases of human rights abuse in Brazil, Amnesty also made several recommendations for improving the judicial system as well as the police, who have been implicated in several of the worst abuses.

"The killings and torture can only be stopped if the people elected to government give a high enough priority to actively promoting and protecting human rights," said the report.

The report contained a summary of some of Brazil's recent highly publicised human rights cases. These include the 1992 prison massacre at Carandiru in São Paulo, when 111 prisoners were killed by police, and last year's murder of eight street children in Rio ds Janeiro.

Amnesty also highlighted the problems faced by Brazil's overcrowded prison system and the alleged involvement of off-duty police in "death squads" hired to kill petty criminals or drug rivals.

Brazil has tended to accept, sometimes grudgingly, human rights criticism. Complaints about the São Paulo police following the Carandiru massacre led to a sharp fall in the number of civilians killed by the police, from more than 100 a month to about 20 a month.

Amnesty said Brazil's police needed "radical change" in its organisational culture and operations. At present, members of the police are tried in military courts, a hangover from Brazil's 1964-85 military rule. According to Amnesty, such cases should be transferred to civilian courts because military courts fail to convict police in human rights cases.

Amnesty is due to meet the two frontrunners in the presidential elections, Mr Fernando Henrique Cardoso and Mr Luiz Inácio Lula da Silva, tomorrow.

Beige Book points to uneven growth

By James Harding in Washington

US economic activity continued to expand over the summer, though unevenly, according to two government reports released yesterday.

The Beige Book, the survey by Federal Reserve Districts of regional economic activity, said: "Regions that have been lagging are generally said to be doing better, while most of the stronger areas saw growth plateau."

US Commerce Department advance monthly retail sales figures showing a 0.8 per cent rise in August, marking a 7 per cent increase on the same period a year ago.

The Beige Book, prepared for use at the Federal Open Market Committee meeting on September 27, follows the August 3 report which showed economic activity growing at a solid pace in most parts of the country. The FOMC meeting of August 16 raised interest rates by half a percentage point.

The expansion in consumer spending is seen as "healthy albeit decelerating", the report said yesterday.

Primary boosts Marion Barry comeback

By George Graham in Washington

Mr Marion Barry's resounding victory in Tuesday's Democratic primary ballot puts him just one step away from reclaiming the office of mayor of Washington, which he lost four years ago when the Federal Bureau of Investigation arrested him on cocaine charges.

Mr Barry's campaign has seemed at times to be less a political comeback than a personal resurrection, but he won 47 per cent of the primary votes, seeing off Councilman John Ray, his principal rival, and crushing Mrs Sharon Pratt Kelly, the incumbent mayor.

In overwhelmingly Democratic Washington, Mr Barry's primary victory is expected to guarantee him victory in the November alection, even though his Repnblican and independent opponents are expected to reap an unusually large number of "anyone but Barry" votes.

In a victory speech, Mr Barry promised that God's power, which had redeemed him from sin, would "lift the city of Washington off its knees".

But his comeback seems likely to place Washington, which as the US capital remains under the supervision of Congress and has only enjoyed limited self-rule for the last 20 years, under much tighter scrutiny.

The congressional committees overseeing Washington's spending forced Ms Kelly to cut her bodget this year, and they are expected to keep Mr Barry, who spent freely in his 12 year tenure as mayor, on a very short financial rein.

"It's a sad commentary and something every American has to come to grips with that you could have people in a city like Washington so desperate that they would vote for a convicted felon with a totally failed record, and a man who clearly is going to have an impossible time trying to deal with the Congress," said Congressman Newt Gingrich, who is likely to take over as the Republican leader next year.

In other closely fought primaries on Tuesday, Governor Arne Carlson of Minnesota won the Republican nomination, fending off a challenge from a candidate backed by the evangelical Christian right.

Three other incumbent governors – Republicans Fife Symington of Arizona and Steve Merrill of New Hampshire and Democrat Mario Cuomo of New York – also won primaries. But Governor Bruce Sundlun of Rhode Island was defeated by state senator Myrth York in his bid for the Democratic nomination to a third term.

Welcome for US banking bill

By George Graham

Bank industry lobbyists in Washington breathed a sigh of relief yesterday after the Senate finally passed a bill to allow banks to set up branches more freely outside their home states.

Sweeping aside last-minute objections to soms of the miscellaneous provisions attached to the bill, the Senate voted 94-4 on Tuesday in favour of a measure that some of its backers had feared might once again get bogged down in the legislative process and expire without a vote before Congress breaks up next month to campaign for the November 8 elections.

Mr Lloyd Bentsen, the Treasury secretary, said the bill was "a major step forward for the American banking system" that had been sought by the last four administrations.

"Interstate banking and branching will be beneficial to banks and their customers as well as the nation'a economy as a whole. This bill will allow banks to reduce expenses by structuring themselves more efficiently," Mr Bentsen said.

Key points of the banking bill include:

- Bank holding companies may acquire a bank in any state, starting in one year.
- Banks in separate states may merge, from June 1 1997, unless either state has "opted out" by passing a law to ban such interstate mergers.
- Banks could open new branches outside their home states only if states "opt in" by passing a law to allow it.
- Foreign banks would have the same right to open new branches as US banks, whether they operate in the US through a separate subsidiary or through a direct branch from their home country. But foreign banks could be required to establish a subsidiary if US bank regulators deem it necessary to verify their capital adequacy.
- A separate measure would extend the statute of limitations to allow the federal regulators to revive claims against officials of failed savings and loans or banks in cases of egregious fraud or intentional misconduct, but not of simple negligence.

Over the past 15 years, the state-by-state compartmentalisation of the US banking system has gradually broken down. Only a handful of states still forbid any acquisition of their banks by out-of-state bank holding companies.

At the same time, the inconveniences for customers have diminished as nationwide cash machine networks allow consumers to withdraw cash when they leave their home state.

But much of the consolidation has been regional, and banks currently do not accept deposits across state lines – even from customers of their own affiliates.

For example, someone who works in Washington DC but lives in the Maryland suburbs is not allowed to deposit a pay cheque in a Washington branch of Riggs Bank, even though he or she has an account at Riggs in Maryland.

New look for industry on way

Banks have already found ways round laws, reports **Richard Waters**

Will scrapping the remaining barriers to nationwide banking hasten the reshaping of the US banking industry? The question has been debated in bank boardrooms for years. Now, with the final passage of interstate banking, it is time for the reckoning.

In some ways, the adoption of full interstate banking should make little practical difference. Thanks to changes to state laws in recent years and the growth of finance company subsidiaries, many banks have already extended their reach around the country.

The legislation that prevented interstate banking came in two parts. First, in 1927, the McFadden Act effectively prohibited banks from running branches in other states. The Douglas Amendment to the 1956 Bank Holding Company Act prohibited the takeover of banking companies in other states, unless those states' laws specifically allowed it. At the time, none did.

These laws have less force than they once did. In 1975, Maine became the first state to allow out-of-state institutions to buy local banks. Sixteen others have followed suit, while 26 more allow ownership by holding companies based in states which give reciprocal rights.

States have also relaxed bank takeover laws in times of financial distress to let outsiders rescue troubled local institutions. In Texas, the three biggest banks succumbed to the real estate collspse of the 1980s. Chemical Banking of New York, NationsBank of North Carolina and BancOne of Ohio now control nearly 40 per cent of Texas's banking deposits, equivalent to $55bn at the end of 1992.

This encroachment of banks across state lines through acquisition has taken hold rapidly in a few years. At the end of 1992, more than a fifth of all bank assets in the US were in the hands of out-of-state institutions, compared with just 6 per cent in 1987.

Where they have not expanded through acquisition, banks have found ways around the legal barriers. One approach has been to hive off their fastest-growing consumer businesses, such as credit cards, into non-bank companies which can operate outside the scope of banking legislation.

Chase Manhattan, the New York money-centre bank, owns a string of finance companies. "We couldn't expand in the traditional way, we were prohibited," says Mr Arthur Ryan, bank president. "But in hindsight, we found that it was a very effective way of doing it."

Despite these inroads, considerable obstacles to interstate banking remain.

One is the so-called South-Eastern Compact, a loose arrangement between states in the region. Designed to protect local institutions from takeover by powerful New York banks, the compact has of late had ths effect of hindering banks based in the region which want to expand elsewhere in the country. One by one, states in the south-east have already started to pass local laws to drop their restrictions.

A second obstacle is the inability of banks to set up branches in other states. Only 43 of the US's 56,000 bank branches in 1992 were operated by banks from another state. For bank customers who regularly cross state lines, this causes great inconvenience. A customer of Citibank in New York, for instance, cannot deposit money in a branch of Citibank in Connecticut: it is a legally separate bank. The growth of automated teller machine networks has alleviated some of the inconvenience, but lifting the ban on branching will make life easier for millions of Americans.

A third obstacle to running an interstate banking group has been cost. NationsBank puts the extra administrativs costs (of running a series of separate boards and meeting federal and state reporting requirements) at $50m a year, while BankAmerica puts its own extra costs at $75m. "That $75m adds zero to the safety and soundness of the banking system," says Mr Richard Rosenberg, chairman of BankAmerica.

For the banking industry, though, perhaps the most significant question is whether the new legislation will give added impetus to the takeover and merger wave that has been under way since the late 1980s.

Some banks which are already active acquirers play down the significance of the law.

Others, though, argue that the legislation could provide the spark which ignites another flurry of big acquisitions. Mr Robert Gillespie, president and chief operating officer of KeyCorp, which itself vaulted into the top 10 with a merger this year, says of the legislation: "It doesn't change the economics of the industry, but it gives everybody an excuse [to make acquisitions.] No-one wants to get left without a chair when the music stops."

Some mergers are already being justified on the grounds that interstate banking will make local banking markets more competitive. Last month two North Carolina banks, BB&T Financial and Southern National, merged to form an institution with assets of $18bn.

These are issues being debated by bank boards around the country. Mr Leo Mullen, president of First Chicago, says: "There is no essential reason why we have to merge, or be acquired. But having said that, there's no question that certainly [our] businesses benefit from scale... If we could hook up with the right situation, there's no doubt it would be useful."

And, although the pace of bank mergers has slowed in recent months, most senior executives in the industry expect the consolidation to continue. "We will see a continuing acceleration of transactions, and the transactions will get bigger," Mr John McCoy, chairman of BancOne, said recently. It is a view widely shared by his counterparts in other banks. The only thing they are not agreed on is, who will be next?

NEWS: INTERNATIONAL

Naira falls as Nigeria forex fears grow

Businesses turn to other sources on worries that supply may run out by end of the year

By Paul Adams in Lagos

Fears that Nigeria'a official supply of foreign exchange will not last until the end of the year have sent the naira tumbling on the black market since late August as businesses turn to other sources of foreign currency for imports.

The street value of the naira to the dollar has fallen from N55 to N68 in the past fortnight, while the government continues to allocate scarce dollars at N22, or one-third of the black market value.

The Central Bank of Nigeria's allocation of $100m (£66.6m) for this month met only 3 per cent of demand and takes the total allocated this year to $1.4bn.

The government has cut its budget for allocations of foreign exchange to the private sector from $2.5bn to $1.9bn.

Many bankers and importers expect another cut in this target by the end of the year, which would leave manufacturers short of goods and materials and further depress the unofficial value of the naira.

In January, General Sani Abacha's regime banned the parallel foreign exchange market and centralised all currency transactions through the Central Bank of Nigeria (CBN) at an official exchange rate of N22 to the dollar.

The US embassy in Lagos recently exchanged dollars at a rate of N62, almost three times the official rate, through authorised banks.

An embassy spokesman said the rate was approved by the Nigerian government. This privilege is denied to private-sector exporters wishing to bring back their export proceeds.

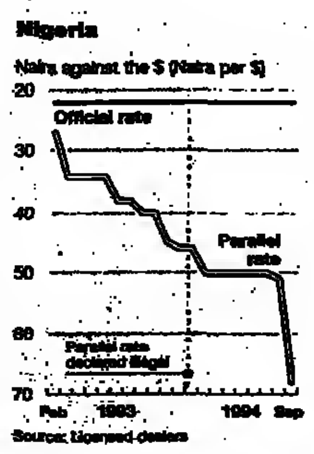
In May, a committee under Mr Samuel Ogbemudia, labour minister, took control of currency allocations, including 15 per cent of the official supply which went to "priority users".

These often went through middle men who demanded a premium of about N18 a dollar for an allocation at the official rate. The committee has been disbanded from this month.

The black market devaluation also reflects recent political instability and fears that government spending will push up inflation.

Western economists say the government deficit is heading towards last year's level of 17 per cent of gross domestic product, despite a budget forecast of zero deficit.

Sharp increases in transport and food costs during the recent oil strike and a flood of freshly-minted bank notes are other signs that inflation, which is already running at 60 per cent a year, could rise even further.



Japan's trade surplus shows fall of 18.8%

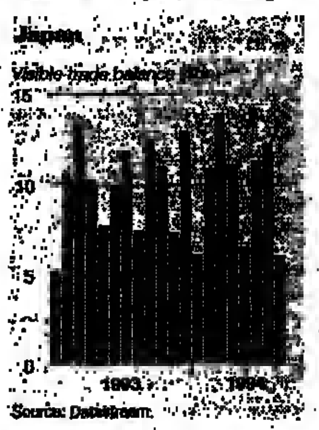
By William Dawkins in Tokyo

Japan's summer heatwave produced an unexpectedly large 18.8 per cent fall in the August trade surplus, the first year on year drop for three months.

A nearly 24 per cent rise in oil imports, caused by a surge in electricity demand as the country turned up its air-conditioners, was the main feature in a narrowing in the trade gap to $6.08bn (£4.05bn) last month, from $7.49bn in August last year. This was a surprise for the market, where forecasts had ranged from a slight decline to a moderate rise in the trade gap.

Overall imports rose by 23.6 per cent to $25.18bn, also helped by a gentle rise in underlying demand, while exports climbed less steeply, by 12.2 per cent to $31.26bn, the finance ministry reported yesterday.

The latest trade balance provides further evidence that the gap is near or past its peak, ministry officials said. When measured in yen, the surplus fell by 22.4 per cent.



However, the figures are unlikely to assuage US frustration as it struggles to make a framework trade agreement with Japan before the end-of-the-month deadline, after which Washington has threatened to open sanctions proceedings.

Japan's surplus with the US actually widened in August, for the sixth month running, up by 2 per cent to $3.49bn, more than half the total. The yen accordingly strengthened in Tokyo yesterday, closing up Y0.14 to Y98.53 to the dollar.

However, the trade gap with other Asian countries was even wider than that with the US, at $4.01bn, a 3 per cent rise on August last year. The increase, for the third month running, shows strong exports of plant and equipment to the growing number of Japanese production sites migrating to south-east Asia to escape high Japanese costs.

Japan's trade surplus with the European Union continued to fall, for the eighth month in a row, to $1.07bn, down 23.9 per cent on the same month in 1993.

● Evidence that corporate Japan is still struggling with problems left by the recession emerged yesterday in the shape of a 13.6 per cent rise to Y485.83bn in bankrupt companies' debts last month.

The number of bankruptcies fell by 4.1 per cent in August, to 1,143, said Teikoku Databank, a credit research agency. It forecast that bankruptcies would run at more than 1,000 per month for the rest of the year, because of competition from cheap imports and a shortage of funds.

OBSTACLES OVERCOME: Yassir Arafat (left) and Israeli foreign minister Shimon Peres sign the Oslo accord to speed PLO aid AP

France welcomes FIS 'release'

By Francis Ghilès

France yesterday welcomed the transfer of two opposition Islamic Salvation Front (FIS) leaders, Mr Abassi Madani and Ali Benhadj, from jail to house arrest and the freeing of three others, as an important step towards ending the violence which has claimed 10,000 victims in the past 21 months.

Mr Alain Juppé, foreign minister, told a cabinet meeting yesterday that the decision by General Liamine Zeroual, the Algerian head of state, was "an important step, showing that dialogue between the Algerian authorities and the FIS is a reality."

The minister cautioned, however, against undue optimism, noting: "It is no secret that the Islamic movement and no doubt the authorities remain divided."

Mr Juppe insisted that France had never "given unconditional support to the Algerian government. While understanding the concern of every government to ensure order and security in its country, we have said that a policy focused entirely on security would not produce a lasting solution."

Gen Zeroual's decision was also welcomed by Mr Rabah Kebir, spokesman for the exiled FIS, who said that his party "was happy about the liberation of our leaders. We consider it a positive step but not a sufficient one. All FIS leaders must be set free, notably Mr Andelkader Hachani, the head of the party executive at the time of the elections of December 1991."

Meanwhile, 17 international commercial banks held a meeting with the Banque d'Algerie, the central bank of Algeria, in Paris on Tuesday to discuss the restructuring of $3.1bn (£2.06bn)-worth of the country's $4.7bn commercial debt.

The banks decided to set up a steering committee which will include two Japanese banks, two Arab banks, one French and one US bank and a Japanese leasing company.

The next meeting between Algeria and its commercial banks creditors will take place in the week after the annual meeting of the International Monetary Fund, due in Madrid in the first week of October.

Singapore admits pollution hazard

By Kieran Cooke in Singapore

For the first time in its modern-day history, Singapore has had to admit it has a pollution problem.

The island republic's environment ministry said this week that air pollution had reached an unhealthy level. Those with serious heart and lung ailments should stay indoors; some healthy people might experience skin and eye irritations.

The pollution has been front page news in a city which has prided itself on its clean and green image.

The authorities say a thick haze which has enveloped the city over recent weeks has been caused by forest fires raging in nearby Indonesia.

Many thousands of hectares of tropical rainforest are reported to be ablaze on the Indonesian island of Sumatra. More forest fires are reported in East Kalimantan, on the island of Borneo.

Singapore's leaders go to considerable lengths to ensure that the city etate is kept squeaky-clean. Those who drop rubbish are liable not only to heavy fines but also to being dressed in luminous litterbug jackets and paraded in front of television cameras.

Singapore has some of the world's toughest anti-smoking laws. The sale of chewing gum is prohibited in order to combat any unsightly mess in public places.

Indonesia accused of rights abuses

A human rights group yesterday accused Indonesia of human rights abuses including torture and the arbitrary use of power, in a wide-ranging report, Reuter reports from Jakarta.

The 83-page report, "The Limits of Openness", focused mainly on Indonesia's ban on three magazines in June, the troubled territory of East Timor, worker rights and a crackdown on members of a Christian church in Sumatra.

"All these cases involve major violations of internationally recognised human rights," the report by Human Rights Watch/Asia, formerly Asia Watch, said.

"But more to the point, these cases illustrate the pervasiveness of the harassment that ordinary Indonesians suffer on a daily basis. Torture is used routinely to punish and intimidate as well as obtain information.

"If there is a constant in Indonesian politics today, it is the arbitrariness inherent in periods of tolerance or crackdown."

The detailed report comes two months before Indonesia hosts an informal summit of the 17-member Asia Pacific Economic Co-operation (Apec) group. It called for a public statement explicitly outlawing torture at all times, while welcoming Jakarta's move to invite UN officials to visit East Timor and reforms on worker rights.

Sumitomo Bank chief murdered

By Gerard Baker in Tokyo

A 54-year-old executive of one of Japan's largest banks was shot dead yesterday outside his home. Mr Kazufumi Hatanaka was the director of Sumitomo Bank'e Nagoya branch.

The murder was the latest in a series of attacks on employees of the bank and its related companies. Between February and May last year 22 incidents were reported, including fire-bomb attacks on the home of a bank vice-president and shootings at branches in Tokyo and Yokohama.

The president of the bank, Mr Sotoo Tatsumi, received three threatening letters containing razor blades at his home in Kobe during the same period.

Police said yesterday there was no immediate suspect or motive, but they are understood to be investigating possible links between the attacks and problems the bank has been having with alleged organised crime members.

Sumitomo is trying to collect bad debts from customers to whom it extended large numbers of property-related loans in the late 1980s.

Other companies hava reported a sharp increase in attacks on their employees in the last year. A vice-president of Hanwa Bank was shot dead in August last year, and in February this year, an executive of Fuji Film Co was stabbed to death in front of his Tokyo home.

Companies have paid large sums to gangs to prevent them from disrupting shareholders' meetings. Yesterday, Kirin Brewing Company was ordered to pay more than Y90m (£582,000) in penalty tax for concealing income of Y180m in an extortion scandal, understood to be related to gangster activity.

Setback for shop discounts

By William Dawkins

The sales division of Shiseido, Japan's largest cosmetics producer, yesterday won court clearance to refuse to supply its goods to Fujikiya, a discount retailer.

The Tokyo high court decision, on an appeal by Shiseido, is an unexpected legal setback to the growth of discounting in Japan's high-priced retailing industry and conflicts with a three-year-old fair trade commission ruling, in favour of cut-price cosmetics.

The FTC, which is independent from the courts, is expected this year to pass judgment on a similar row between Kawachiya, another cosmetics discounter, and Shiseido.

Shiseido was told by a district court a year ago that it had contravened anti-monopoly laws by stopping sales to Fujikiya, which was offering 20 per cent discounts on Shiseido goods.

The cosmetics group had ended its contract with the discounter on the grounds that it objected to Fujikiya's practice of piling Shiseido goods onto shelves, rather than using Shiseido-trained sales staff to present the products to customers.

Known as the "face to face" system, the use of sales staff trained by manufacturers is standard practice in department stores, and a factor in their high prices.

The FTC had earlier investigated the dispute and ruled in 1991 that Fujikiya's sales practices were legal. Mr Kinichi Takahashi, the high court judge, yesterday argued that Shiseido had a legal right to demand "face to face" sales contracts, even if this led to higher prices.

High anxiety for Hurd in Hong Kong

UK foreign secretary flies in as China attacks Jardine group. Simon Holberton reports

China's attack on the Jardine gronp has ensured that the visit to Hong Kong by Mr Douglas Hurd, Britain's foreign secretary, which starts today will be conducted in an atmosphere of high anxiety.

Beijing's decision to turn up the heat on Hong Kong's British administrators is consistent with the gloomy foreign office assessment of the outlook for Sino-British co-operation on the colony's transfer to China.

With less than three years before Hong Kong is handed back to China, British officials have told Mr Hurd they expect another period of hard slog with little progress being made on a growing agenda needed to ensure a smooth transfer of power in 1997.

An apparent thaw has swiftly given way to pessimism

There is also a growing view in the colony that China's latest moves have exposed the contradiction at the heart of British policy towards its last great colonial possession. This policy seeks both an honourable withdrawal from Hong Kong, and a smooth transition to Chinese sovereignty for the colony. Yet, the more Britain pursues honour tha more it seems likely that Hong Kong's transition to Chinese rule will be a bumpy one.

The optimism engendered by an apparent thaw in relations – the high-water mark of which was an agreement on the distribution of military land in June – has swiftly given way to pessimism in the face of a discernible hardening in Beijing's attitude toward the UK and Hong Kong. Two months ago a comprehensive settlement to two of the most important ontstanding commercial issues – the financing of Hong Kong's new airport, and approval for the extension of the colony's container port – seemed within grasp. Today they appear as remote as ever.

Beijing has already made it known that it expects little from a meeting between Mr Hurd and Mr Qian Qichen, his Chinese counterpart, in New York at the end of the month. The best guess by the British foreign office for the abrupt change in China's position is that Beijing reassessed its position in light of the events of June this year.

First there was the Legislative Council's vote at the end of June on Governor Chris Patten's plans to liberalise the colony's 1995 elections. During this vote Beijing attempted to persuade LegCo members to vote against the governor, but failed. Beijing concluded from its defeat that that it should have stayed out of the process.

Second, the proximity of the defence lands deal to the vote – it came the morning after LegCo voted for Mr Patten – and the optimism over an early airport agreement allowed the governor to claim his policy of standing tough with China on democracy had worked. With conspicuous foreign policy successes elsewhere Beijing could not allow Mr Patten's claim of victory to stand.

Indeed over the past months Britain's isolation from the rest of the world in its policy towards China has deepened. The UK is the only permanent member of the United Nations security council in conflict with China. Over the past six months the US, France and German have all moved to repair relations with Beijing by downplaying human rights and emphasising trade and economic development.

British officials say they still remain optimistic that at the end of day China will agree terms on airport finance. They are more concerned about the port because Beijing eppears to have made its approval contingent on the ejection of the Jardine group from a consortium extending the facility.

One senior British official said it would not improve Hong Kong's position as a place to invest if business people had to look over their shoulder to the political master.

What concerns the UK more, however, is China's attitude to the work of the Joint Liaison Group (JLG), a bilateral commission established by the 1984 Joint Declaration to enable a smooth transfer of sovereignty in 1997. The JLG shows every sign of being moribund. Since 1989 it has transacted only two significant pieces of business – the 1991 agreement on Hong Kong's court of final appeal, and the military lands agreement of this June.

Mr Patten warned last October, when opening the 1993/94 session on the LegCo, of a legal vacuum in Hong Kong after the resumption of Chinese sovereignty if the JLG did not get moving on "localising" Hong Kong's law. Progress has been glacial.

Patten warned of a legal vacuum. Progress has been glacial

There is a raft of air service agreements between Hong Kong and the rest of the world awaiting Beijing's approval. Also awaiting the nod from Beijing is the ratification of many international agreements to which Hong Kong is currently bound because of its link with Britain and which will lapse unless China gives its approval.

Optimists among the foreign secretary's advisers point to the continuous ebb and flow of Sino-British relations, of which the current period is just another ebb. They foresee a situation where the two agree the main commercial matters outstanding – the airport, port development, big business franchises which need Beijing blessing – later than would be optimal, but nevertheless in time. JLG matters, such as localising Hong Kong's law, may well be left right up until the last months of British rule.

South African unions embrace pragmatism

But the new approach is not necessarily permanent, writes Mark Suzman from the Cosatu congress

On the surface things have never looked better for South Africa's labour movement. After years of an apartheid regime overtly hostile to unions, an openly sympathetic government is now in power.

Furthermore, trade union membership has started to rise again after contracting over the past few years, and, at 37.2 per cent of the workforce, is the highest in the developing world.

But rather than the celebrations that were expected, the national congress last week of the 1.3m-strong Congress of Sonth African Trade Unions, the country's most powerful labour federation, proved to be an occasion for heated discussion and soul-searching as the movement sought to redefine its role.

To respectful but unenthusiastic applause, in the opening address President Nelson Mandela praised Cosatu's role in the anti-apartheid struggle, but called on workers to think of the country's 5m unemployed rather than looking just to their own relatively privileged position.

"Without us tightening our belts it will be difficult to get our economy to grow," he warned.

The speech served as a reminder of the challenges faced by the labour movement in the new era. Despite the fact that Cosatu's formal political allies, the African National Congress and South African Communist party, dominate the ruling government of national unity, tensions between the labour movement and administration have risen over a wave of strikes by Cosatu affiliates.

Although the ANC remains broadly supportive of labour's demands, its greatest concern is fostering economic growth and job creation. To that end it wants to dampen labour militancy to encourage foreign investment.

Continned labour militancy combined with the country's relatively high wages for a developing country – South African workers earn comparable salaries to workers in successful Asian economies such as South Korea and Taiwan, almost double the pay-rate in Brazil and nearly four times that in India – serve as a continued deterrent to prospective investors.

The ANC has also clashed with Cosatu on the issue of industrial restructuring, and union members reacted with anger to an announcement two weeks ago that the government was cutting tariffs on car imports by an effective 20 per cent. They charged that the decision undermined workers' bargaining position in negotiations in the strike in the motor industry, forcing them into a premature settlement.

Underlying these disputes is Cosatu's fear that the new regime may start to adopt an anti-union attitude.

Its difficulties stem from the very closeness of its ties with the ANC

Mr Enoch Godongwana, secretary general of the National Union of Motorworkers of South Africa argues that in Africa political leaders have a "history of betrayal" towards organised labour after taking power, and Cosatu is determined that the same thing should not happen in South Africa. Part of the movement's difficulties stem from the very closeness of its ties to the new government. According to e report commissioned by the National Labour and Economic Development Institute, 80 top union officials have left the movement in the past year, most of them to join the administration.

So much of the leadership is unproven and lacks the authority to control more radical shopfloor leaders. Several of the recent strikes continued well after union negotiators were willing to settla when they proved unable to rein in their activist membership.

In implicit acknowledgement of this, the main outcome of the conference was a decision to concentrate on what Mr John Gomomo, Cosatu president, calls a "back to basics" policy, focusing on new recruitment, consolidating local affiliates and addressing work-related grievances.

But on the all-important political issue, the congress overwhelmingly voted down a proposal to end its partnership with the ANC and form a left-of-centre Workers party, instead electing "to strengthen the tripartite alliance". However, the federation was careful to link these resolutions to a strong appeal for the institutionalisation of collective bargaining at a national level via the soon-to-be-established National Economic Development and Labour Council.

This is a tripartite body that will contain representatives from business, government and labour.

So far, therefore, Cosatu seems to be indicating its support for consolidating and expanding the "golden triangle" of business, government and labour that has been nurtured over the past two years by outgoing finance minister Mr Derek Keys.

"The thread that goes through the congress is that workers must be involved in all strategic decision-making, on the shop floor, in management and in government," said Mr Sam Shilowa, Cosatu general secretary who was re-elected unopposed.

But, the organisation warned, the tripartite alliance was "not permanent and shall from time to time be reviewed as conditions dictate." possible.

Nintendo alleges Taiwan piracy

By Louise Kehoe in San Francisco and Laura Tyson in Taipei

Nintendo of America, the US arm of the Japanese video game manufacturer, has filed a suit in California against Taiwan's largest semiconductor manufacturer, alleging counterfeiting of proprietary video game chips.

The suit against Taiwan Semiconductor Manufacturing Company (TSMC) of Hsin-Chu, Taiwan and its US subsidiary seeks damages and an injunction to prevent future US sales. An estimated 61 per cent of TSMC's worldwide sales are in the US, according to Nintendo. "Our investigation discovered counterfeit chips manufactured by TSMC contained in illegal Nintendo video game products in at least nine countries across three continents," said Ms Lynn Hvalsoe, Nintendo's general counsel.

"The discovery of these counterfeit chips clearly demonstrates that Taiwan remains a worldwide centre for video game counterfeiting, despite its government's repeated pledges to halt the manufacture and sale of these illegal products."

Mr Donald Brooks, TSMC's president, said the company was "shocked and disappointed" at the allegations. "We're a foundry, which means we manufacture integrated circuits for other companies based on designs which they provide us," he said last night. "If there's been an infringement of intellectual property rights, we're not aware of it." TSMC had not been contacted by Nintendo, he said.

Nintendo said it had discovered counterfeit semiconductor chips in illegal copies of its Super Nintendo and Super Famicom home video game machines being sold in Colombia, Japan, Taiwan and Hong Kong. In addition, counterfeit video game software and security chips allegedly manufactured by TSMC were found in games being sold in Europe, Latin America, and Asia.

Nintendo said it had asked the US government to request Taiwan closely to scrutinise TSMC's exports to prevent the export of semiconductor chips that infringe on Nintendo's intellectual property rights.

Unctad criticises restrictive economic policies of west

By Frances Williams in Geneva

UNCTAD

Leading industrialised nations are running restrictive economic policies which are suppressing global demand and contributing to high unemployment and international trade frictions, according to the United Nations Conference on Trade and Development.

The organisation's latest Trade and Development Report also unabashedly favours demand management and the efficacy, at least in some circumstances, of government intervention to hasten economic development.

The report forecasts world economic growth of only 2.5 per cent this year, far slower than normal in a recovery and below the sustainable long-term growth rate.

The current policy consensus among western governments and the main multilateral agencies such as the International Monetary Fund and World Bank neglects the importance of effective demand and invariably treats inflation as a more serious threat than unemployment, the report says.

The result has been a persistent deficiency of global demand which has promoted "the mistaken – and mercantilist – notion that countries should seek growth by improving their overall competitiveness vis-à-vis other countries".

The report points out it is impossible for all countries to improve their relative competitiveness.

If demand is insufficient, higher productivity will raise unemployment rather than output, it says. "Global demand deficiency is a recipe for wasting the world's productive potential and an invitation to conflict among nations."

It says financial deregulation has increased the need for demand management. Deregulation has encouraged "waves of private debt and credit creation and contraction which have spawned disturbing speculation" and produced large current account imbalances, which have put strains on foreign exchange markets and the trading system.

The report, deliberately released before the forthcoming annual IMF-World Bank meeting, urges the world's three leading economic powers, and particularly their monetary authorities, to act to boost growth:

- The US "needs to be cautious in applying monetary brakes", so as not to stifle the recovery of investment and employment;
- Western Europe needs to cut interest rates "substantially for a prolonged period" and to postpone tackling inflated budget deficits until recovery is well under way. The European Union should delay plans for monetary union in 1996 or relax restrictive conditions agreed at Maastricht;
- Japan should loosen monetary policy and expand domestic demand and consumption. Otherwise, the report warns, it could soon have unemployment levels matching those in the US.

Unctad extends its thesis to the developing world where, it says, the pendulum has swung too far in favour of leaving private enterprise to get on with the job. The report points to Japan, South Korea and Taiwan as cases where government intervention proved highly effective in forcing the pace of development. The "economic miracle" in these countries "was not entirely a miracle of the market", the report says.

While admitting that these examples cannot necessarily be replicated, Unctad argues policymakers need to accept there may be different models of development that work.

The report also points out that the Uruguay Round global trade agreements will in time prevent many developing countries from using some measures employed successfully in east Asia such as export incentives, import controls and restrictions on foreign investment.

Developing countries' growth should average about 4 per cent this year, Unctad says, though there is a widening gap between rapid growth in east and south-east Asia and Africa's dismal performance. It argues that many of Africa's problems reflect weak prices and lack of external finance, the report argues.

It also has doubts about recent improvement in Latin American growth rates, which it sees as excessively dependent on consumption and inflow of foreign funds, mainly in the form of high risk "junk" bonds and one-off investments related to privatisation.

Trade and Development Report 1994. Available from UN Sales Section (Sales No.E.94.II.D.26), Palais des Nations, CH-1211 Geneva 10, fax +41 22 907 0027, or UN Publications, UN Plaza, New York, NY 10017, fax +1 212 963 3062. $45.

Annual % change

	1991	1992	1993 a	1994 b	1980-90 c
World	0.3	1.3	1.7	2.5	2.9
Developed market-economy countries	0.3	1.8	1.4	2.4	2.8
of which:					
US	-1.1	2.8	3.0	3.4	2.7
Japan	4.0	1.3	0.1	0.5	4.1
EU	0.7	1.1	-0.4	1.6	2.4
of which:					
Germany d	1.8	2.5	-1.3	1.0	2.3
France	0.7	1.4	-0.9	1.2	2.3
Italy	1.3	0.9	-0.7	1.2	2.2
UK	-2.3	-0.5	1.8	2.5	2.7
Central and eastern Europe	-11.9	-15.5	-9.9	-6.8	2.1
Developing countries	3.8	3.3	3.8	3.6	3.0
of which:					
Africa	1.8	0.8	1.2	1.8	1.9
America	6.5	2.7	2.9	2.5	1.3
Asia	4.7	4.8	5.0	5.2	4.6
Least developed countries	0.5	0.4	2.1	2.8	2.3
China	7.1	11.4	13.4	10.0	8.8

a Estimate; b Forecast; c Annual average percentage change; d Includes eastern Germany after 1990

Source: Trade and Development Report 1994, Unctad

Uruguay Round

Accords may hurt poorer countries

By Frances Williams

UNCTAD

The successful conclusion of the Uruguay Round represents a victory for multilateralism and diminishes the threat of mutually antagonistic trading blocs, the latest United Nations Trade and Development Report says.

But poorer developing world countries may be disadvantaged by some aspects of the trade accords which will erode the value of preferential tariffs and could raise the costs of importing technology and foodstuffs. Enabling developing countries to benefit from trade liberalisation is "a key challenge to the international community," Unctad says.

It suggests that help is needed in areas such as services, infrastructure, improved investment conditions, and access to international financing. It also highlights the need to help developing countries with marketing techniques.

Average tariff levels on industrial products in developed nations will be cut by 38 per cent to an average of 3.9 per cent. But high tariffs remain for "sensitive" items subject to competition from low-cost countries such as leather goods in Japan and textiles and clothing in the US.

In agriculture, the industrialised countries have converted import restrictions into equivalent tariffs which will be cut by 36 per cent over six years.

According to Unctad's analysis, this has produced duty levels as high as 1,000 per cent for some items. Even at the end of the six-year period both the EU and Japan will be charging tariffs on non-tropical farm products everaging over 20 per cent.

Pre- and post-Uruguay Round MFN* tariff profiles

Importing market	Unweighted MFN tariff average		Maximum MFN rate	
	Pre-UR	Post-UR	Pre-UR	Post-UR
Agricultural products (non-tropical)				
Canada	13.4%	8.6%	266.6%	170.6%
EU	32.2%	21.4%	438.0%	280.4%
Japan	31.4%	23.1%	650.0%	552.5%
US	10.3%	7.2%	999.8%	449.9%
Tropical agricultural products				
Canada	4.9%	2.5%	30.1%	19.3%
EU	17.3%	11.1%	162.4%	104.0%
Japan	14.2%	9.0%	589.0%	500.7%
US	9.5%	6.5%	536.9%	429.5%
Textiles and clothing				
Canada	19.6%	12.7%	30.0%	18.0%
EU	10.5%	8.2%	17.0%	12.0%
Japan	10.7%	6.9%	22.4%	16.0%
US	12.8%	9.1%	42.4%	32.0%
Leather and footwear				
Canada	13.3%	9.8%	25.0%	20.0%
EU	6.3%	6.9%	20.0%	17.0%
Japan	29.8%	23.4%	84.0%	75.2%
US	14.0%	11.8%	61.8%	61.8%
All products**				
Canada	9.9%	5.5%	266.6%	170.6%
EU	10.4%	6.6%	438.0%	280.4%
Japan	9.7%	5.9%	650.0%	552.5%
US	7.0%	4.3%	999.8%	449.9%

*Most favoured nation, i.e. excludes preferential tariffs
**Excluding fuels

Source: Trade and Development Report 1994, Unctad

Gatt approval runs into EU power struggle

Uruguay Round ratification could be a cliffhanger, write **Guy de Jonquières** and **Lionel Barber**

UNCTAD

Just as the prospects of swift congressional approval of the Uruguay Round are at last starting to brighten in Washington, the fate of the world trade deal faces another cliffhanger in Brussels.

EU efforts to endorse the round in time to bring it into effect on schedule at the start of next year are threatened by a complex internal power struggle. Unless the row can be defused in the next three weeks, EU ratification could face indefinite delays, even deadlock.

"Time is very short. Any slippage means things risk going completely off the rails," says one European trade policy expert. Prolonged uncertainty could not only prevent the EU from acting in time to implement the deal and set up the new World Trade Organisation. It could also reduce the impetus for swift ratification in other member countries of the General Agreement on Tariffs and Trade.

Mr Peter Sutherland, director-general of Gatt, is sufficiently worried to have visited Brussels this week to urge the EU to set aside its internal differences and make approving the round its top priority.

In contrast to the US, where some in Congress oppose the deal, there is widespread support for it in the EU Council of Ministers, the European parliament and national legislatures, all of which will be involved in ratification.

The problem arises from a dispute between the European Commission and the Council over the legal basis on which the deal should be approved. Because of the wrangle, the Commission has yet to submit a legislative text to the Council. The Commission argues that it should be ratified under those articles of the Rome and Maastricht treaties that give it exclusive authority to negotiate on trade. That is disputed by most member governments, led by France, which is increasingly suspicious of the Commission and still resentful of concessions made by Brussels on farm trade in the Gatt negotiations last year.

They object that the Commission's existing authority does not extend to the Uruguay Round's ground-breaking agreements in areas such as services and intellectual property rights, and that these require another legal basis.

Last spring, the Commission asked the European Court to clarify the legal situation. It is particularly worried that continuing confusion could undermine EU participation in the Gatt and the WTO, the more powerful body due to succeed it at the start of next year.

Some senior Commission officials now say involving the court was a tactical error. However, a spokesman for Sir Leon Brittan, the trade commissioner, said: "We are not trying to take away sovereignty from member states. We just want an amicable, workable arrangement."

In search of a compromise, the German presidency of the council has suggested a "code of conduct", designed to enable the EU to continue to act as one in external trade negotiations. The code, in the process of being drafted, is expected to argue for "mixed competence" in trade policy between the Commission and member states, supported by new mechanisms for resolving disputes between them.

The Commission says it is willing to consider the code as an alternative to a court opinion. However, Belgium and Spain, for different reasons, have expressed strong reservations about the code, which Germany is due to submit to a foreign ministers' council on October 4.

That may be the last opportunity for a deal which would enable the Commission to withdraw its legal case before the court starts oral hearings on it a week later. Once in train, the court proceedings cannot be halted.

If the court failed to reach a quick decision which also endorsed the Commission's position, EU ratification could drag on until after the end of the year and the legal dispute could be made still more difficult.

In theory, the Council could force the issue by amending provisions in the Commission's Uruguay Round legislation with which it disagreed. However, it would have to vote unanimously and would be unlikely to win the support of Belgium, the only member state openly to support the Commission's position.

It is also uncertain how such tactics would be received in the European Parliament, which must be consulted on ratification of the round.

But it is unclear that even adoption of the proposed code and withdrawal of the Commission's court case would be enough to clear away the problems, in the absence of a wider agreement on the legal basis for ratification.

The EU's smaller member states have been particularly adamant about the need for firm legal underpinnings, though there is still no clear consensus in the Council on what form they should take.

One way in which delays could be avoided would be for all 12 national parliaments to ratify the Uruguay Round deal – as they will eventually have to do – before the end of the year. The EU could then resolve its internal differences at its leisure.

This was the solution urged in Brussels this week by Mr Sutherland, who argued that the unanimous support for the trade agreement in EU capitals meant that parliaments had every reason to endorse it swiftly.

So far, however, only the British, German and Greek parliaments have ratified the deal. In several other countries, legislatures have been holding back until the rights and wrongs of the EU legal dispute are clarified.

US battle ahead over dumping

By Nancy Dunne in Washington

US multinational companies and subsidiaries of foreign companies in the US have mounted a lobbying effort against an obscure provision in the Uruguay Round aimed at implementing legislation which they said would lead to the levying of punitive anti-dumping duties on imported products.

The European-American Chamber of Commerce, one of the industry groups mobilised for the fight, said the proposed export sales price (ESP) amendment in the Senate version of the implementing legislation discriminates against multinational companies that have operations on both sides of the Atlantic.

The provision is in a final version of the Uruguay Round legislation still being hammered out in a House-Senate committee. The committee is expected to send it to the White House in the next two weeks. The president will then almost immediately submit the legislation to Congress under fast-track authority, which means Congress must vote yes or no but cannot amend it.

The ESP provision would amend current US dumping law and change the way prices are calculated to determine whether a foreign company is "dumping" its goods in the US market. The proposal is supported by the Senator Ernest Hollings, an unabashed protectionist, as well as Senator Max Baucus, usually a free trader who chairs the trade subcommittee.

Domestic US companies in favour of the provision, include steel and ball bearing firms which mostly supply the US market, are calling for a strengthening of US trade laws to protect US companies from "predatory" practices.

House members are strongly opposed to the provision. Clinton administration officials have expressed concern but hesitate to weigh in strongly while they are rounding up votes for final passage of the Uruguay Round package.

India has plans to liberalise imports

The Indian government said yesterday it plans to liberalise import of consumer goods, and warned industries to prepare for stiff foreign competition, AP reports from New Delhi.

High import tariffs on consumer items such as television sets, refrigerators, music equipment, soaps and cosmetics have shielded Indian producers over the years.

"The time has come to tell industry that the government cannot afford to provide a high level of protection to Indian industry, particularly in the consumer goods sector, for an indefinite period," the finance minister, Mr Manmohan Singh, told businessmen in New Delhi.

Mr Singh, architect of India's economic reforms since 1991, said the government would liberalise the import of consumer goods so they will one day become globally competitive.

He recalled that lowering of tariffs was the key issue at the Gatt negotiations, which India signed in spite of strong opposition at home.

German exports set for 7% rise

German exports are set to rise by around 7 per cent this year and next year, according to a report from the Hamburg-based HWWA research institute which predicts the German trade surplus could reach around DM80bn ($52bn) by the end of next year, Michael Lindemann writes from Bonn.

This is close to levels last seen in the mid-1980s.

Imports are likely to grow about 6 per cent in real terms over the same period, the report said, helped by rising imports from eastern Europe.

China in final trade talks push

China has begun what is expected to be long and intensive negotiations with its main trading partners in a final push to become a founder member of the World Trade Organisation, due to succeed Gatt next January, writes Frances Williams in Geneva.

An initial three-day round of tariff negotiations with the US ends today. They were aimed at resolving outstanding problems bilaterally before calling another meeting of Gatt's working party on Chinese membership to draft the terms of entry.

There seems to be growing optimism that the eight-year-old negotiations can be successfully completed by the end of the year, though officials warn many pitfalls remain.

Ministers agree shipping black list

Shipping ministers from the EU nations, the Nordic countries, the US, Canada, China, Poland, Russia and Croatia agreed in Copenhagen yesterday to publish quarterly "black lists" of ships deemed to be sub-standard or which are operated by crews with insufficient training, writes Hilary Barnes from Copenhagen.

They also agreed to carry out more safety inspections of ships entering their waters.

Europeans win Japan contracts

European component suppliers to Toyota's UK car-making operations have been awarded several new contracts to supply parts to Toyota plants in Japan, writes John Griffiths.

They lift to £15m a year the total vehicle of components now flowing to Toyota's Japanese plants from suppliers in the UK, Spain and Italy.

Toyota yesterday described the contracts as a reflection of European suppliers' ability to meet quality and price standards.

£37m contract for Italian group

Ansaldo Trasporti, part of Finmeccanica, Italy's state-controlled engineering group, has won two contracts worth in total more than L90bn ($57m) for rail traffic control systems in Italy and Sweden, Andrew Hill reports from Milan.

AT Signal Systems, Ansaldo's Swedish subsidiary, will head the L40bn project for a new rail traffic control system in northern Sweden. Ansaldo Trasporti and Union Switch and Signal, the group's quoted US arm, will supply the data transmission network and train control system to Swedish railways.

Animal code fails to lift ban

By Deborah Hargreaves

Mr William Waldegrave, agriclture minister, suggested tough new measures yesterday to improve the treatment of live animals on long journeys in the hope of defusing the row between ferry companies and farmers over the lucrative export trade.

Bnt ferry companies appeared unimpressed by the new code of practice and said they would maintain a ban on transporting live animals to the continent.

The Royal Society for the Prevention of Cruelty to Animals criticised the new code as it is applicable only in the UK. The animal welfare organisation also questioned the ability of the UK authorities to enforce the code and expressed disappointment that it did not contain a maximum journey time of 8 hours for animals bound for slaughter.

Stena Sealink said its ban on carrying live animals would stay in place until a code was drawn np acceptable to the RSPCA. Peninsular and Oriental, which is responsible for carrying the bulk of live animal exports, said it was still committed to banning the traffic from October 1.

Farmers bope the ferry companies will rethink their objections to the new code when it is discussed in a consultation period over the next few weeks.

Mr Waldegrave said: "This is an important initiative. In the absence of agreed and enforceable EU measures, I shall be amending the law to give teeth to the enforcement of best practice already required by our national controls."

The code would introdnce a new criminal offence for hanliers falsifying journey plans. The measores will compel hauliers to fill in a standard journey plan for all trips over 15 hours. Plans for departure, arrival times and staging posts will have to be approved by a governmeot vet.

Farmers gronps bave warned that they stand to lose np to £200m in the export trade of live animals if the ferry companies' hans are maintained.

Chacnellor 'given estimate' of index ahead of Friday's interest rate rise to 5.75%

Inflation rise triggers share fall

By Peter Norman and Gillian Tett

A slight rise up in UK retail price inflation and a bigger than expected drop in unemployment last month unleashed fears of further base rate rises and unsettled financial markets yesterday.

The Central Statistical Office reported that the retail prices index jumped 0.5 per cent between July and August and was 2.4 per cent higher than in August last year. Underlying inflation, defined by the government as the RPI excluding mortgage interest payments, rose 2.3 per cent in the 12 months to August.

Both annual rates of inflation were 0.1 percentage point higher than in July and above the average expectations of City of London analysts, who had earlier forecast a slight drop.

The news triggered a sharp decline in share and bond prices. The FTSE-100 index lost 41.6 points to close at 3,078.8 and the 10 year bench-mark government gilt edged stock fell $1\frac{1}{32}$ points. Sterling wobbled, losing a pfennig against the D-Mark on the news, but later closed broadly unchanged with losses against the D-Mark offset by gains against the dollar.

Yesterday's financial market jitters ware compounded by news of a sharp 34,200 fall in seasonally adjusted unemployment last month to just under 2.6m, which appeared to provide further evidence of fast growth in the economy.

Lord Lawson, chancellor from 1983 to 1989, added to base rate anxiety by writing in yesterday's London Evening Standard that "this week's half per cent hike is most unlikely to be the last".

Further unsettling markets was a disclosure from a CSO official that Mr Kenneth Clarke, the chancellor, had been given a preliminary estimate of the RPI data last Wednesday before he decided on Friday to raise bank base rates to 5.75 per cent from 5.25 per cent.

This appeared to take some of the lustre away from the Monday's base rate increase. Some City commentators suggested that the rate rise might have been a reflex to current problems and not, as the chancellor said, a pre-emptive move to nip incipiant inflationary pressures in the bud.

However, speaking on the BBC radio's *Today* programme yesterday, the chancellor insisted that the latest inflation and jobless figures were "not relevant to last week's decision". Instead, he was looking to possible events 18 months to 2 years ahead.

The CSO said the upwards move in inflation reflected sharp increases in prices for clothing and household goods after heavy discounting in July's summer sales. Looking at the trend "prices have been broadly stable since May", officials added.

However, the jump in inflation last month fueled fears of further price rises in September. "We are at a turning point in inflation," said Mr Geoffrey Dicks, chief UK economist at Natwest Markets.

Yesterday's retail prices report overshadowed the positive labour market news. Seasonally adjusted unemployment fell in all UK regions and reached its lowest rate since January 1992. The unadjusted "headline" jobless total, which normally rises in August, fell last month by nearly 5,000 to 2,638,267.

Wage inflation stayed subdned, with average earnings growing an annual, underlying 3¾ per cent in July, unchanged from June.

Mr Michael Portillo, employment secretary, said: "Provided costs and inflation are kept firmly under control, all parts of the UK can look forward to more prosperity and more jobs".

Clarke rewrites election strategy for Tories

Philip Stephens wonders if the chancellor's nerve will be matched by his prime minister

So that's it. A large chunk of the Conservative party is living in "cloud-cuckooland". Those Tory rank-and-file MPs foolish enough to join local activists in demanding tax cuts are not engaged in serious politics.

Mr Kenneth Clarke, the man who actually decides what comes out of Gladstone's Budget box at the end of November, has spoken. His party should stop whining.

The significance of the chancellor of the exchequer's words on taxes and his action on interest rates runs deeper than his obvious concern to massage pre-Budget expectations.

Most in the Conservative party do not yet realise it but Mr Clarke quite deliberately crossed a political rubicon this week. He has rewritten the government's electoral strategy.

Viewed from his home at No 11 Downing Street, the Tories' hopes of clawing back its unprecedented 34 point deficit in the opinion polls now rest on delivering year in, year out, precisely what the chancellor has promised: steady growth and low inflation.

There can be no quick tax fixes, no loosening of the monetary reins. Everything is staked on an unexciting but durable economic recovery and a return to sound public finances. Competence and credibility are to he put before transparently crude electoral bribes.

It must be said that as far this year goes the chancellor was stating the obvious. No-one with any sense at Westminster expected tax cuts in November. Nor is there any prospect of a reversal of the increases already in the pipeline.

Public borrowing should undershoot the official £36bn forecast but the Treasury will still spend some £30bn more than it collects in taxes. So for all the talk about rifts between neighbours, Mr John Major is as persuaded as his loquacious chancellor that now is not the moment for tax handouts.

As for this week's rise in interest rates, Mr Major had no choice. Prime ministers never like higher borrowing costs. The present one, facing the deepest electoral chasm since opinion polling began, must really hate them.

But that is to miss the point. Mr Major sold the pass when he agreed to allow publication of the minutes of Mr Clarke's monthly chats with Mr Eddie George.

The conventional wisdom is that publication had weakened the Treasury's position vis-a-vis the Bank of England. That is true, though *it* is important to distinguish the official Treasury (which invariably shares the bank's judgment) from the chancellor of the day (who may well not).

But the important implication of the change is that it removes the prime minister's power of veto. Once the chancellor and bank governor are seen to agree, the occupant of No 10 cannot demur.

So those searching for Downing Street conflicts, real or imagined, should look to the stance of fiscal policy as the point of tension. Not now, hut in November of 1995 or 1996.

Mr Clarke has absorbed the Treasury orthodoxy that serious tax-cutting may well be impossible before an election due by the spring of 1997. He has concluded that delay might turn out to be good politics as well as prudent economics.

After the broken promises of 1992 the voters don't believe this government. Much better then to go into an election with the public finances in strong enough shape to allow a credible promise of tax cuts that will stick, than to try to con the voters with a transparently temporary cut before polling day.

There is a broader political strategy here. In Mr Clarke's mind the government must do three things before the election if it is to have a hope in hell of winning.

Alongside the recovery, the voters need to feel secure that it will last. Then they must be convinced that next time the government, for once, will deliver on it manifesto promises.

It all sounds pretty sensible stuff. But of course there is a catch. What may sound perfectly logical from a politician with a reputation for keeping his nerve may not hold quite the same appeal for a party terrified of electoral defeat.

If Mr Clarke is not careful people will soon be drawing comparisions with the then Mr Roy Jenkins' stewardship of the Treasury in the late 1960s. He balanced the budget and lost the Labour government the 1970 election.

The briefest glance at the agenda for the annnal Tory conference in Bournemonth next month reveals the depth of the angst among the party's footsoldiers.

Local activists still willing to tramp the streets in support of the most unpopular government in living memory want some good news to sell. They are fed up telling a disbelieving and disgruntled electorate to bide their time.

Those with a preference for bribery over hair-shirt economics will find also plenty of allies around the cabinet table. When the time comes Mr Major may be among them.

Mr Clarke, of course, hopes the choice will not be necessary: that public borrowing will come down fast enough to remove the contradiction between fiscal prudence and tax cuts.

There is a good chance it will. If not? Well Mr Major could always promote Mr Clarke to the foreign office when Mr Douglas Hurd stands down in a year or so.

Britain in brief

Jungheinrich unit gears up for US

Boss Group, the UK lift truck producer acquired in May by Jungheinrich of Hamburg, is considering a big investment plan that would turn its Leighton Buzzard factories, north of London, into a world-class manufacturing centre. The company also plans a big assault on the US lift truck market, which the former Lancer Boss Group had never fully exploited. Jungheinrich acquired the Boss business, and its former subsidiary Steinbock Boss, following their controversial receiverships in April.

Mirror Group into cable

Mirror Group Newspapers will announce today that it plans to launch a national cable television which will not be available to satellite viewers. The channel will provide 24-hours a day entertainment with British-made programmes. It is the first significant move into television by the popular newspaper group since the death of the former owner Mr Robert Maxwell.

Private nuclear plant 'possible'

It may be possible to build a further nuclear power station in the UK entirely with private sector finance, according to a report by N.M. Rothschild, the City merchant bank.

The report, commissioned by Nuclear Electric, the state-owned utility, will be submitted to the government's nuclear review which closes at the end of this month. In its own submission to the review earlier this summer, NE said that a new nuclear power station could not be built without a measure of government financial backing.

Probe into ferry accident

Accident investigators will today step up their inquiries into the collapse of a passenger walkway which killed six people and injured seven others boarding a ferry at the Kent port of Ramsgate, on the south coast of England.

The collapse of the walkway occurred as passengers were boarding a Belgian ferry, the Prins Filip, just before 1am on Wednesday. The end of one section of the walkway fell 50ft onto a vehicle ramp which ran on to the ferry.

The incident occurred less than three weeks after a blaze on a cross-Channel ferry and raised once again the issue of ferry safety. Port Ramsgate, responsible for quayside equipment at the port, and the Sally Line, which operates the ferry hit by the earlier blaze in which one person was injured are both part of Sally UK, a Finnish/Swedish shipping group.

Channel 5 consortium

A major new consortium has been put together to bid for the Channel 5 licence led by CanWest Global Communications, the Canadian broadcasting group with interests in New Zealand, Australia and Chile.

The consortium, it is believed, brings together three large UK corporations with no significant interests in broadcasting but which are all members of the FT-SE 100.

At the same time Virgin Communications, part of Mr Richard Branson's Virgin Group, has appointed Mr Jeremy Fox, to develop Virgin's broadcast interests including a possible bid for Channel 5.

Mr Fox, will remain president of Channel 9 Australia, the international arm of Mr Kerry Packer's television interests.

Surge in Gaelic interest

Bord na Gaeilge, the Dublin body promoting the Irish language, has set up a freephone information service after reporting record numbers are studying Irish.

MANAGEMENT: MARKETING AND ADVERTISING

Hitting target audience

Direct marketing's ever-closer targeting of individuals is one of the reasons why junk mail is less of a problem in the eyes of UK consumers than it used to be: what might be junk to one person could be welcome correspondence to another.

The industry's improving reputation is also down to the fact that it appears to be sticking, by and large, to a system of self-regulation, says the Advertising Standards Authority, the watchdog which monitors the sector. The rules, which came into force in 1992, require companies to make sure their information is accurate and up-to-date and consumers know why it is being collected.

Says the ASA: "If a company intends to pass on information to anyone else or use it for a significantly different purpose, consumers should be given an opportunity to opt out. If a company decides to use information it already has about someone it must gain permission first. Consumers should also be able to recognise the associations between companies within the same group."

Companies regularly have to comb their records for consumers who have stated, through the Mailing Preference Service, that they do not want to receive mailings. The rules, which build on the requirements of the Data Protection Act, also apply to press advertisements featuring response coupons.

A recent ASA survey found that, out of a sample of 50 press advertisers, five intended to make their lists available to third parties and one failed to offer an opt-out to consumers. Three advertisers were passing on information to other companies within their group but were not making this sufficiently clear to consumers.

Out of a sample of 50 direct mailers, seven were collecting information to rent out, but the opt-outs available to consumers were found to be reasonable. Rules on the Mailing Preference Service were being observed by both groups, found the ASA.

Diane Summers

Alan Mitchell searches for the holy grail of direct marketing

Some like it hot

Some FT readers will have recently received a missive from Lloyds Bank inviting them not to make a move "until you check with us" about the company's buildings insurance. They probably never gave a thought to how closely targeted they were: they were not hot prospects, or even hot, hot prospects. They were hot, hot, hot prospects.

Targeting, the elimination of the hated "junk" from "junk mail", is the holy grail of direct marketing. The better it is done, the less the exercise costs, the fewer consumer noses are put out of joint and the higher the response rates are. Now marketers are combining data from a wider variety of sources – including the gold mines of information that usually lie unexploited in their own accounting and other records – to get closer to that holy grail. Lloyds Bank Insurance Direct's building insurance campaign is an example.

To isolate its best prospects Lloyds first compared the prices of its panel of insurers with the competition – postcode district by postcode district. If one of its panel was 30 per cent cheaper than the average competitor price in that postcode, the postcode was identified as "hot". The rest were dropped.

Next, Lloyds trawled its own customer records to identify which of these "hot" postcodes had recorded higher than average conversion rates from inquiry to purchase and lower claims rates. That produced a refined "hot, hot" list.

Then, to maximise the efficiency of leaflet door-drops, it used recent census data to identify those postcodes where property values were higher than average, and where there were particularly high concentrations of home ownership. The resulting "hot, hot, hot" target areas look like a few tiny isolated dots in a postcoded map of the country. But they are a sizeable market.

Further, by using data from a lifestyle survey company, NDL, which generates detailed information, including brand preferences and house moving dates from millions of named individuals each year, Lloyds has been writing to "hot, hot, hot" individuals who moved house 12 or 24 months ago. They are particularly ripe because their insurance is likely to be due for renewal. Philip Loney, Lloyds Bank Insurance Direct general manager, says: "We want to progressively target our marketing expenditure where we get the maximum benefit. This is beautifully simple. We have identified the people who we can offer the best deal to, and now we are talking to them – and the results are markedly better."

Technical developments such as this are doing more than generating better response rates. According to Chris Lovell, managing director of Lovell Vass Boddey, the marketing consultancy that helped Lloyds in this project, future media planning could be shaped by this type of "micromarketing".

Posters can be sited more accurately on key local roadside sites, for example. Bus-side ads can be placed on routes travelling through the postcodes in question. "Too often," says Lovell, "advertising effectiveness is a matter of post-campaign evaluation rather than pre-campaign planning."

Others are going further, trying to move their direct marketing beyond its traditional sales promotion by mail role to become relationship-building exercises.

Next month, for example, the car park at stately home Packington Hall, near Birmingham, will fill with Jaguars, Mercedes and other luxury cars. After refreshments, their owners will be chauffeur-driven to the door of the Motor Show, a privilege not even granted to big exhibitors. Before going home, they will be able to play at chauffeurs themselves – driving BMW's new Seven Series car.

Over the next few years BMW will keep in touch with these carefully selected prospective customers, sending them glossy magazines, stories about BMW, and the occasional chance of a freebie such as the Motor Show. By the time they come to replace their old car, BMW hopes it will have persuaded them to buy its new car.

The next step is to combine both approaches, using data from a variety of sources to target individuals for long-term, direct, relationship-building programmes – as Ford is now attempting. In July it sent out questionnaires to 1m named individuals – people who it knew from lifestyle surveys currently drive rival brands.

The Ford Driving Survey asked them details such as car age, replacement intentions, most important considerations in car purchase, marital status, occupation, number of children and income.

Existing customer records were then examined, using sophisticated modelling techniques to identify the key characteristics of who buys which Ford models, and why. This information was then matched to the 200,000 Driving Survey replies, so that the people most likely to choose each Ford model could be selected for the right sort of soft-sell mailing.

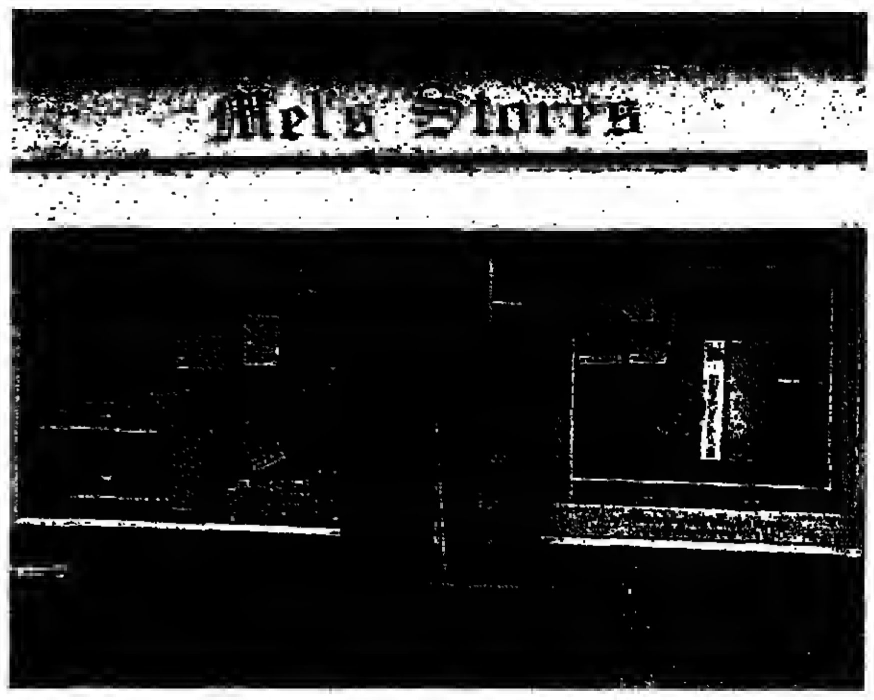
Says Anthony Marsella, strategic analysis manager at direct marketing specialist Wunderman Cato Johnson, which runs Ford's direct marketing operation: "With car buying cycles you need to keep in touch with a potential customer over three years or more. When it gets to the point where they are going to buy, we will communicate a selling message to them."

Marsella estimates that Ford, by fine-tuning its technique, has doubled its direct marketing efficiency over the past five years. But such technical developments are also having a more profound effect: they are beginning to change the way some marketers think about marketing.

Says Grant Harrison, loyalty controller at Tesco, which is currently testing a Club Card with enormous data-gathering potential: "Marketing is moving very significantly away from trying to change or twist consumers' behaviour to understanding them and giving them what they want."

The ultimate aim, says Mark Patron, managing director of CMT, one of the main lifestyle survey companies, is to use technology to mimic the days of the old corner shop. "The owner would say, 'Hello Mrs Brown, how's Doris? I know she likes orange sherbets. Now we've got some lemon flavour. Give her this, and see if she likes it.'"

Most marketers are still a long way away from that, but as they get closer Mrs Brown may find herself investing as much care and attention in choosing which organisations deserve her trust and information – her "relationship" – as she does in choosing which brands deserve her hard-earned cash.



Chris Lawson

Back to the corner shop: the ultimate aim of direct marketing is to give customers what they want

Simply take one celebrity. . .

Neil Buckley examines Sainsbury's recipe for a successful TV campaign

The formula is simple, yet seductive. A celebrity voice you recognise, but cannot always place, describes a simple recipe, over pictures of beautifully chopped ingredients sizzling in a pan. Once taste buds and curiosity have been tantalised, the camera pulls back to reveal the celebrity.

Former UK chancellor Denis Healey's recipe for scrambled eggs and smoked salmon, and opera singer Dame Kiri Te Kanawa's farfalle pasta with Parma ham have all featured in what J Sainsbury, the UK's biggest food retailer, says is its most successful series of advertisements.

Some 55m cards detailing the recipes have been picked up by customers in Sainsbury's stores. Moreover, the ads have often created markets for new products.

In May 1992, Sainsbury sold 30,000 cartons of crème fraiche; the following month, after ads showed actress Catherine Zeta-Jones using the product to make fresh fruit brûlée, it sold 1m cartons.

The ads have also increased sales of more familiar products. The latest – former tennis star Sue Barker's turkey and apricot bake, launched last week – resulted in sales of 74 tonnes of turkey strips, 22 times the normal weekly sale. Last year, Sainsbury bought all available supplies of Italian pesto sauce to meet demand following actress Zoë Wanamaker's recipe for tagliatelle with bacon and pesto.

Anthony Rees, Sainsbury's marketing director, says increased product sales were originally e by-product of the adverts, launched in May 1991 as a "strategic" campaign to enhance Sainsbury's name and reputation.

Trial campaigns explicitly emphasising Sainsbury's perceived strengths of quality and reliability, heritage and tradition, had produced negative reactions among viewers.

When David Abbott, chairman of Sainsbury's ad agency Abbott Mead Vickers, thought up the recipe theme and persuaded a friend, television presenter Selina Scott, to front the first one, Sainsbury liked the ad but did not think it met the brief. Customer research proved otherwise.

"We discovered the way to convince people was not to tell them anything," says Rees. "People could pull out of the ad what they wanted to."

Even more significantly, the ads fulfilled a "strategic" and "tactical" role, enhancing Sainsbury's name while persuading shoppers to buy products by the trolleyload. Rees says they have more than justified the estimated £30m spent on the 17-ad series.

Sainsbury has moved away from advertising in women's magazines for new product launches, tying these instead to an appropriate TV recipe advert. That is one reason why recipes are not, whatever viewers may think, celebrities' own. They are devised by Sainsbury's recipe department, with help from cookery writer Delia Smith. Dishes must be "aspirational" (mozzarella pasta penne is fine; spaghetti bolognese is not); "achievable", even for novice cooks; and "affordable" – less than £2.50 per person.

They must look appetising at every stage of preparation. Plans for a Tiramisu recipe evolved into mascarpone and lime torte because Tiramisu looked a soggy mess in the early stages.

That attention to detail and the finely judged camerawork are reasons for the ads' success, says Winston Fletcher, chairman of the Advertising Association. "Recipe adverts are a bit of a cliché," he says. "What Sainsbury has done, through the style, the esoteric ingredients, the tone of voice, is to update the formula."

The food, says Rees, is always the real star of the commercial. The celebrity adds intrigue and promotes trust among viewers.

Rees adds there is little sign so far, of customers growing bored and several more ads are planned.

PEOPLE

EBRD's Ljungh leaves for Morgan Stanley

Sweden's Anders Ljungh, 52, who has been vice-president of finance since the European Bank for Reconstruction and Development opened for business, is returning to the private sector as a senior adviser to Morgan Stanley.

Ljungh (right) is the second senior EBRD official to leave within the past eight months and his departure will lead to a further reshuffle of the EBRD's relatively new top management team which is still settling down after the abrupt exit of Jacques Attali, the EBRD's first president in July 1993. Earlier this year, Mario Sarcinelli, 59, number three in the EBRD, returned to Italy to take up the chairmanship of Banca Nazionale del Lavoro.

Sarcinelli was not replaced. However, Ljungh's departure cannot be ignored and the EBRD's board of directors is expected to decide on his successor at its board meeting on September 20. Bart Le Blanc, a 48-year-old Dutchman who is the Bank's secretary general, has been tipped to take over from Ljungh.

Meanwhile, a report in Italy's *Il Sole* newspaper yesterday suggested that Antonio Costa, who used to work in the European Commission and is currently employed by Ferrero, had been lined up to fill Le Blanc's job. Although appointments to the EBRD are supposed to be made on merit there has been a feeling that Sarcinelli's exit means an Italian is likely to be a front runner for the next big job which comes up at the EBRD.

Ljungh's combination of commercial banking skills and knowledge of multinational development institutions will consolidate Morgan Stanley's presence in the Scandinavian market and help expand its international business with financial and emerging market institutions. In addition to his Morgan Stanley post, he will sit on the boards of Telia, the Swedish telecoms company, Nordbanken, a commercial bank, and will be chairman of KM, a Swedish engineering company.

Before joining the EBRD, Ljungh spent 15 years with Svenska Handelsbanken in Stockholm and was head of its international activities between 1985 and 1991. Before becoming a commercial banker he worked at the World Bank in Washington, serving as a personal assistant to Robert McNamara, the former president. He also ran the Bank's East Africa programs department for a time.

Sunset Holidays, the tour operator which plans a flotation next spring, has appointed Sir Gilbert Thompson (above) as non-executive chairman.

Sir Gilbert, former chief executive of Manchester Airport, is to take up the post on October 1. Sunset, which is the UK's eighth largest tour operator, is also appointing John Skinner, commercial director of the charter airline Air 2000, to its board.

Air 2000 is part of the Owners Abroad group, which is being renamed First Choice Holidays. Sunset, which carries 300,000 passengers a year, is Air 2000's largest external customer.

■ Life in the motor trade can be terribly incestuous. No sooner has Rover chairman George Simpson taken the helm of Lucas Industries, than Bernard Carey, Lucas's director of corporate communications, announces that he is off to be Rover's top spin-doctor.

Carey, 39, who started life as an economist with British Gas, moves to Rover next month to take over from John Pullen, 61, who is retiring. He gets a seat on the Rover board.

Pullen, who has been at Rover for eight years, was brought over from British Shipbuilders by Sir Graham Day, a former chief executive of the state-owned shipbuilding business who was asked by the Government to sort out BL, Rover's predecessor.

Carey was headhunted for the job but admits that he had a bit of a head start. Not only is Lucas one of Rover's major suppliers but it is based only three miles away from Rover's Solihull headquarters.

■ Alistair Cox has been appointed group strategy director of BLUE CIRCLE INDUSTRIES; he moves from McKinsey & Co. Jeremy Watts is appointed md of Blue Circle UK Bathrooms in succession to Phil Buckle.

■ Bob Tyler, formerly director of the analgesics and intermediates worldwide business unit, has been appointed commercial director of RHONE POULENC Chemicals.

Hambro takes over from Hambro

Rupert Hambro, 51, has taken over the chairmanship of J.O. Hambro & Co following the death of his father, Jocelyn Hambro, who founded the merchant banking boutique.

James Hambro, 45, succeeds his brother as managing director of the firm, which has around £500m of investment funds under management.

J.O. Hambro was set up in 1986 by Jocelyn Hambro and his three sons – Rupert, Richard and James – when they split off from the much bigger Hambros group to branch out on their own. Jocelyn had chaired Hambros between 1970 and 1983 and Rupert had been chairman between 1983 and 1986.

James Hambro's appointment is another sign that J.O.

Hambro and its associate company, J.O. Hambro Magan, which specialises in providing corporate finance advice, are starting to go their separate ways. Hambro Magan was set up in February 1988 by George Magan, a corporate finance chief at Morgan Grenfell, Alan Irby, a former deputy chairman of Sedgwick, and Rupert and James Hambro.

Rupert (left) was chairman of Hambro Magan until June 1993 and James Hambro has been a joint managing director. By taking on his new responsibilities at J.O. Hambro, James has followed his brother and stepped down from the Hambro Magan board. Although the two firms remain close, growing City concerns about potential conflicts of interest between the investment management and corporate finance sides of merchant banking type businesses are forcing them to adopt a more independent stance.

■ Michael Anthony, formerly director, client investment services for HSBC Asset Management Europe, has been appointed director, marketing for JULIUS BAER INVESTMENTS.

■ Peter Baynham, investment operations manager of NORWICH UNION, has been appointed a director of Norwich Union Investment Management.

■ Nobuo Yonetani, who had been md of DAIWA Europe from 1986-1990, has returned as chief executive; he succeeds Katsunari Rembutsu who moves to Daiwa Securities Trust in New Jersey.

■ Pippa Mason, formerly vice-president in Merrill Lynch's capital markets group, is appointed director in SWISS BANK CORPORATION's capital markets origination group in London.

TECHNOLOGY

Bronwen Maddox reports on the difficulties with demographic data

A question of numbers

If anyone at the Cairo conference on population and development needed to be reminded that the world's population is growing, a "clock" in the centre of the exhibition hall kept ticking, registering more than one birth every second.

Projections by the United Nations – that the total will nearly double from 5.7bn to 10bn by the middle of the next century – were the only part of the conference text which was not debated, as 180 countries wrestled to agree on family planning policy. Yet how reliable are the projections?

It is not just UN initiatives which depend on the figures' accuracy. The International Development Association, an arm of the World Bank, employs economic criteria such as per capita income when deciding whether to grant a country concessional loans.

Joseph Chamie, director of the UN's population division, adds that many businesses are affected by demographic trends. "If I were a car manufacturer I'd be busy now designing cars so that older people could get into them," he says, referring to the ageing populations of industrialised countries.

But demographers face formidable obstacles in gathering accurate data on population size. Governments sometimes distort figures to influence elections, they say.

Some countries in the Middle East have not always counted births and deaths among their immigrant worker populations. In some societies "people don't know bow old they are", says Tom Merrick, senior population adviser for the World Bank, which runs separate models from those of the UN. In some regions, age distribution data can be distorted because girls are categorised according to wbether or not they have reached puberty.

However, both Merrick and Chamie argue that the quality of the raw data on current population size has greatly improved in recent years. According to Merrick, the estimate of 5.7bn is accurate "to within tens of millions". Past census data from some African countries, in particular Nigeria, have been unreliable, he says, although Nigeria's 1991 census, which yielded a lower total than expected, is now regarded by demographers as sound.

Countries with large populations such as China and India have "pretty good" censuses, says Merrick.

Because the data are improving, demographers have found the predictive power of demographic models to be good so far. In 1950 the UN estimated that the world's population would be 6.3bn in 2000; its latest figures suggest around 6bn. But all acknowledge the difficulties in predicting the future. The models are sensitive to assumptions about whether family sizes will continue to fall as they have been doing in most countries for the last 15 years. The UN projections for 2050 range from 7.8bn to 12.5bn on only tiny variations in those assumptions.

However, delegates at the conference, which ended this week, advanced many competing theories about why parents choose to have smaller families. Twenty years ago, the slogan "development is the best contraception" was the favourite theory, but at Cairo demographers emphasised ease of access to contraception or better education for women.

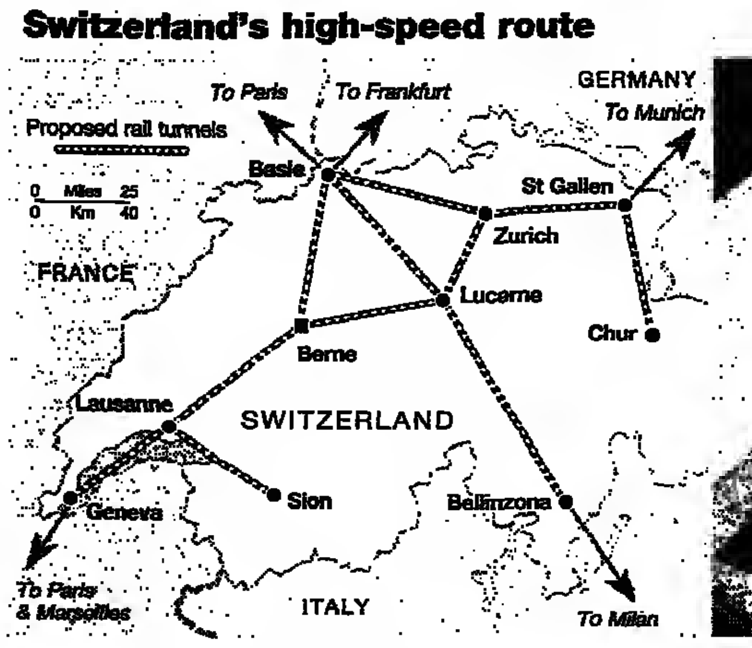
Moreover, the models cannot take account of future development of new contraceptive techniques. According to Chamie, "the Pill made a tremendous difference on fertility, as did the intra-uterine device and injectible contraceptives. They separate the act of sex from the decision to use a contraceptive, unlike condoms for example".

Demographers' models have spelled out to governments that they have reason to worry about population growth, and to move fast on improving family planning services.

The best tribute to the demographers' efforts will be if governments act so quickly that predictions of the world's population in the next century prove too high.

Magnetic attraction

Swiss plans for an underground rail system will take engineers into unexplored territory, writes **Ian Rodger**



The Swiss are not known for wild leaps into the frontiers of technology, so it came as a surprise last year when the federal government and 80 Swiss companies put up SFr14m (£6.8m) to finance a feasibility study for an underground higb-speed magnetic levitation (maglev) train system.

Called Swissmetro, the project, initially proposed in the 1970s by a Lausanne engineer, proposes the construction of 315km of dual tunnels from Geneva to St Gallen and from Basle to Bellinzona.

The atmospheric pressure in the 5m-diameter tunnels would be substantially lowered so that air resistance to the trains' movement would be reduced. The trains' 200m-long vehicles would then have to be pressurised – they are like "aeroplanes without wings and tails" according to one engineer – to support buman life.

Theoretically, the maglev trains, driven by linear motors, could reach speeds of 500kmh, although the planners foresee a constant speed of about 380kmh. At that speed, the trip from Geneva to Zurich could be reduced to 57 minutes, compared with the current three-hour train journey.

This sounds appealing, not least because the entire infrastructure would be "several tens of metres" underground, minimising environmental impacts. Swissmetro backers knew there would be no chance of winning approval for additional surface infrastructure on Switzerland's densely populated northern plateau.

By having the trains run within tunnels in a partial vacuum, Swissmetro would substantially avoid the problems of air resistance that bedevil all very high-speed transport. In Switzerland, these problems would be magnified because of the need to have frequent tunnels due to the mountainous terrain.

The project plan calls for reducing air pressure in the tunnels to between 1 per cent and 10 per cent of normal atmospheric pressure, the equivalent of the atmosphere at between 20,000m and 40,000m above the earth. The consequent reduction in resistance is also expected to bring significant energy savings.

The plan proposes twin tunnels, not only to eliminate the risk of head-on collisions, but also to avoid the air pressure effects – pressure change and vibration – when trains pass each other in a tunnel. Maglev trains bover only 20mm above the track, so even minor jolting could cause problems.

Maglev technology is fairly well established, with Germany and Japan the most active developers. In March, the German government approved construction of the world's first commercial maglev train to run from Berlin to Hamburg in less than one hour. The project will cost an estimated DM8.9bn (£3.67bn).

In Japan, a Japan Railways experimental maglev train achieved a speed of 423kmh on a test track in February, although plans for a prototype line near Tokyo have been delayed by difficulties in obtaining land.

The plan proposes twin tunnels, not only to eliminate the risk of head-on collision, but also to avoid the air pressure effects when trains pass each other in a tunnel

All projects and experiments so far have been aimed at developing above-ground, open-air systems. The Swiss project, by going completely underground, moves into unexplored territory and raises questions in at least three important areas:

- Aerodynamic behaviour at high speed in a tunnel. How much free space must there be between the train and the walls of the tunnel? How much vibration will there be?
- Air-tightness of a very large tunnel structure. What materials need to be used to ensure that a partial vacuum can be maintained? Swiss scientists say it could be achieved with a steel tube, but at a very high price. They are working on solutions using concrete with various chemical coatings.
- What are tbe thermal effects caused by the activity within the tunnel?

Yves Trottet, co-ordinator of the project at the Federal Institute of Technology in Lausanne, says there are no answers to these questions at the moment. No one has ever attempted a project of this scale with these characteristics.

All tbese elements also have implications for operational safety, including, for example, how to deal with a loss of pressurisation in the train and how to evacuate a train in an emergency. The present thinking is that a train must be able to advance to the next station under its own power if necessary.

As part of the feasibility process, the scientists in Lausanne and a sister institute in Zurich, together with the relevant Swiss industrial companies, will be studying these issues as well as those related to maglev over the next three years.

Trottet says computer simulations can provide some answers, but physical testing will also be necessary. Later this year, the Lausanne institute intends to build a scale model tunnel for tests. It will probably be 300m in length with a 25cm diameter.

The economics of the Swissmetro project are contentious. The preliminary study published last year estimated that the Geneva-St Gallen line would cost SFr13.1bn and take eigbt years to build. Feasibility claims were based in part on assumptions of large numbers of people abandoning conventional trains and their cars in favour of Swissmetro.

Treating pills like plastic

German chemicals group BASF is using its plastics manufacturing technologies to improve the way its pharmaceuticals subsidiary makes medicines. The company says the change saves time, materials and floor space to the tune of more than $200m (£129m) a year, the equivalent to having developed a successful new drug.

It sbould also improve the effectiveness of the drugs, says BASF, by better controlling the way the active ingredients leave the tablet and enter the bloodstream.

Traditionally, pills are made in several stages, the active ingredients being made successively into granules, pellets and shaped tablets.

BASF replaces that sequence with a single process in which the active ingredients are melted and extruded as a pliable strand, passed through rollers and chopped into tablets. The problem is that drugs are usually crystalline powders, lacking the elasticity of plastics.

BASF's answer was to find a polymer that dissolves the powder when melted. As the polymer hardens the powder remains in what BASF calls a "solid solution" and can be manipulated like a plastic.

By reducing three processes to one, BASF's new pill-making method cuts the floor space required for manufacturing by three quarters. And by dissolving the powder into the pill material, the company reduces the need to deal with the potentially polluting solvents that are used in the traditional three-stage process.

Finally, the medication can be improved because the polymer is designed to release the medicine slowly into the body. This controlled-release mechanism allows for higher doses to be administered and means patients need take tablets less often.

BASF believes that the process will bring it contract manufacturing business. The first extruded medicines should reach the market within two or three years.

Daniel Green

ARTS

Cinema/Stephen Amidon

Hard and soft on drugs

Clear and Present Danger is Hollywood's third attempt to translate Tom Clancy's capacious, flag-waving novels to the screen. It is by far the best. Leaner than *The Hunt for Red October* and less ludicrous than *Patriot Games*, Phillip Noyce's lively adaptation is pure popular entertainment – unabashedly corny, expertly paced and thoroughly watchable.

This time around, true blue CIA agent Jack Ryan (the ageless Harrison Ford) finds himself combating Colombian drug lords after they kill a close friend of the US president. Needless to say, he soon finds himself in the thick of a tangled plot involving laundered money, covert operations and governmental corruption. After a series of bloodbaths and double crosses, Ryan is put to the most critical test of all for a true patriot – he is asked by his commander-in-chief to tell a lie.

Director Noyce makes none of the mistakes in pacing and credibility that marred his *Patriot Games*, concocting instead a film whose strong suit is its simplicity. There are no grey areas here – one is either dedicated to stamping out the drug-dealing vermin from south of the border, or one winds up in bed with them. Aided by an exceptionally lucid script (partially written by the legendary John Milius), Noyce is able to create a number of engrossing set pieces, most memorably a shootout on a narrow Bogota street that should become a standard of the genre. There are also two nifty sequences in which US government agents and drugs cartel gangsters are shown to be using the exact same computer technology as they do combat.

Ford is his usual stolid self, managing to keep his dignity while uttering lines that George Washington might have blanched at. Willem Dafoe, meanwhile, is just the man to play a cynical CIA operative, while Donald Moffat is a spineless president for our time. Even Anne Archer, in the monumentally thankless royal of Ryan's long-suffering surgeon wife, fares better than before.

If the film has a flaw, it is its refusal to question Clancy's boyish admiration for the capabilities of the American military. As much as one wishes that we really did live in a world where the US army could conduct operations against drug-pushing bad guys that did not result in spectacular air crashes, civilian atrocities and friendly fire casualties, it is hard to square Clancy's world-view with that offered on the nightly news.

While Noyce's film relies on an unwavering view of narcotics as the

CLEAR AND PRESENT DANGER (12)
Phillip Noyce

DAZED AND CONFUSED (18)
Richard Linklater

SMOKING/NO SMOKING (PG)
Alain Resnais

PEEPING TOM (18)
Michael Powell

devil's own candy for its plot dynamics, Richard Linklater peddles a far softer line in his delightful *Dazed and Confused*. Set on the last day of high school in a suburban Texas town in 1976, Linklater's second feature virtually floats on a cloud of marijuana smoke. Nearly everyone except the local cops and the fascistic football coach can be seen toking on reefer or bong at some point.

As with his memorable debut *Slacker*, Linklater largely foregoes plot, focusing on the development of character and atmosphere through a steady accretion of humorous and spot-on detail. The film bears a certain resemblance to *American Graffiti* in this regard, with its parade of souped-up cars, not-so-naive girls, hormonally charged boys and a nostalgic soundtrack. But where George Lucas's film peddled a myth of American youth as a bunch of basically wholesome kids out for some kicks, Linklater's subsequent generation are thoroughly alienated from their society. His accomplishment is to avoid pathos or gloom in portraying them, opting instead for an anarchic humour that actually makes one pine for those teenage days of pimply angst and pubescent insecurity.

★

The combination of French New Wave director and a Scarborough playwright who specialises in very British comedies of manners might seem an odd coupling, though Alain Resnais and Alan Ayckbourn have more in common than just a Christian name. Both have shown a marked tendency to juggle and bend the flow of time in their work, Resnais through mind-boggling films like *Last Year at Marienbad*, Ayckbourn with conundrum plays such as *How the Other Half Lives*. It is hardly surprising, then, that the value of their first collaboration should be primarily as an exercise in style, fascinating in its technical details but sorely lacking as a human drama. *Smoking/No Smoking*, which can either be consumed as two long films or one *very* long epic, is surely the only movie to appear this year whose press release contains a flow chart to aid viewing.

Based upon Ayckbourn's play cycle *Intimate Exchanges*, the film is set the small Yorkshire town of Hutton Buscel. Its central characters are a drunken headmaster at the local school, his lonely wife, his best friend, *his* cutaway spouse, a gardener and a housekeeper. The action involves various dalliances and couplings among them, each of which blossoms into a series of permutations when time is reversed and characters are allowed to remake key choices. Hence the binary title, which alludes to the first key decision: the headmistresses's wife initially indulges her desire for a cigarette and then decides not to have one, thereby setting in motion two entirely different chains of events.

What is notable about the film is its labyrinthian overall structure, which should keep chess enthusiasts and maze wanderers enthralled for the nearly five hours of viewing. Sabine Azema and Pierre Arditi, who between them play all the roles, are at times inspired and always resourceful. But the film suffers from its overall length and its meagre, stage-bound look. And Resnais never really answers the key question that arises after a few hours of viewing – so what? A pall of randomness hangs over the whole enterprise. The resulting malaise makes *Smoking/No Smoking* a bit of a drag.

★

Attending this week's London press showing of the reissue of Michael Powell's *Peeping Tom* is like revisiting the scene of a lynching carried out by ones ancestors. It has been 34 years since British critics gave the film such a mercilessly hysterical drubbing that its maker, doubtlessly one of the greats of our national cinema, never really worked on these shores again. Since then, with the famous intervention of Martin Scorsese, who rescued the print from destruction, this disturbing story about a young murderer who photographs his victims at the moment of their death has gone on to be recognised as the masterpiece it always was.

★

Meanwhile, the 51st Venice Film Festival went out to the sound of frantic stitchings and compromisings in the jury room, writes Nigel Andrews. The Golden Lion was shared between two films neither of which was expected to win – Micho Malchevski's *Before The Rain* from Macedonia and Tsai Ming-Liang's *Long Live Love* from Taiwan – but which spaned audience taste from the panoramic-political (Malchevski's study of war's reverberations across a continent) to the intimist-experimental.

Tsai's film, reported on by me last week, is by far the superior work: a near-abstract chamber drama of crisscrossing lives with a dazzlingly fresh – and funny – approach to narrative. Oliver Stone's kaleidoscopic *Natural Born Killers* was also rewarded for stylistic originality, winning the Special Jury Prize.

The lower reaches of the trophy list were chaotic, if not sometimes incomprehensible. Three Silver Lions were shared out between two indifferent films – Italy's *Il Toro (The Bull)* and America's *Little Odessa* – and a one-time favourite for gold, New Zealand's *Heavenly Creatures*. Four acting awards went to performers that few of us had shortlisted, including Vanessa Redgrave's blink-and-you-miss-it role as a dying Russian-American immigrant in *Little Odessa*. And two film-makers felt to have been in with a shot at the top prize were fobbed off with Best Director (Italy's Gianni Amelio for *Lamerica*) and Best Screenplay (Spain's Bigas Luna for *The Tit And The Moon*).

The festival itself was as confusing as the prizes. It began badly, rallied for a week of high quality, then collapsed again. We know that Venice has money problems, but money alone does not explain a European film spree that is so inconsistent in its choice of competition movies (high-budget, low-budget; experimental, conventional); and that can summon and accommodate more Hollywood stars than you will ever find in the average Cannes festival – this year Harrison Ford, Jack Nicholson, Michael Douglas, Al Pacino, Arnold Schwarzenegger ... – while behaving like the poor man of Euro-cinema to all its other guests and participants.

Unabashedly corny and thoroughly watchable: Harrison Ford in 'Clear and Present Danger'

Theatre/Martin Hoyle

A leaky 'Moby Dick'

John Huston did it on film with Gregory Peck, Orson Welles on stage with Joan Plowright, and Manchester achieved a notably blubbery *coup de théâtre* with it. Cameron Mackintosh came a cropper when he tried it in a girls' school. Now Gerry Mulgrew has directed Hermann Melville's haunting novella of obsession and destiny, *Moby Dick*, with the Royal Shakespeare Company.

The production was reviewed in Stratford last November. Rumour has it that fine-tuning, tweaking and general tinkering has taken place for its transfer to the Barbican's Pit; perhaps too much since the piece stolidly refuses to generate much theatrical tension.

Mulgrew was responsible for two of the liveliest offerings I have seen in Scotland: *Mary Queen of Scots Had Her Head chopped Off* and the wonderful phantasmagoria of Scottish identity real and imagined, *Jock Tamson's Bairns*. As with many of his compatriots, the journey south has tamed him.

As a director he may be uncertain how to take Rod Wooden's adaptation. The writing sets off resonances, echoes and allusions – unwisely, since it fails to stand the comparison with the sort of poetic prosody it sometimes aims at. Chief sufferer is David Calder who brings a Shakespearian technique to some sub-Shakespearian fustian interspersed with creaky metaphors – "I didn't stop to plug my leak" – that frequently send the dramatic craft dipping into the brackish surge of bathos. The style varies between the clotted poesy of fine writing and deliberate modernity. As the crew remarks in true 19th-century fashion, "It gives me the creeps". As with the fountain pen with which our story-teller (whose famous opening, "Call me Ishmael", is moved back) signs on, the effect is less universal than merely distracting. The story may be timeless, but this implies freedom from such specific details, not a constricting emphasis on them.

Writing and direction are at their most ambitious in the choral spoken passages that go on too long, just as the boy Pip (played with passionate relish by Lloyd Notice) has at least one Ophelia-like mad scene too much. Karen Tennent's design dangles ropes from above around which the cast clusters in eculptural groups. This encourages the cult of the picturesque, notably in the case of Christopher Colqhoun's African-toned Queequeg, a designer savage given to posing as if displaying the latest gay leisure wear. The sacrifice of coherence to imagery is seen during a storm, where two figures are pulling on one rope – in different directions.

The final use of a billowing white sheet to cover the stage is impressive though, in the words of *Porgy and Bess*, it takes a long haul to get there. Calder's Captain Ahab, a few weevils short of a ship's biscuit, is powerful enough in a yo-ho-ho sort of way to make one want to see his Long John Silver; a character a great deal more varied and complex than the stumping ranter at the centre of this production. Melville's damned existentialism has leaked, unplugged, away on the voyage from the Avon to the Thames. As the Scottish crew member remarks, "So many nice intelligent people *doing* nice intelligent things. Look what a mess it's got the world into!" Oh come on, chaps: this is the man who wrote *Billy Budd*.

In repertory at the Pit

David Calder and Christopher Hunter in 'Moby Dick'

The Tempest in Birmingham

Is Birmingham our most colourblind and/or multicultural city? No British ballet company makes more of the differing ethnic origins of its dancers than the Birmingham Royal Ballet; and now Bill Alexander, artistic director of the Birmingham Rep, is presenting a new production of *The Tempest* in which Prospero, his daughter Miranda, his brother Antonio, and his spirit Ariel are all played by black actors, and in which two magical masque sequences are performed by Indian dancers in Indian style. So far so p.c.; but colourblind casting is also, in this case, poetry-deaf.

For Alexander and Jeffery Kissoon, who plays Prospero here, this *Tempest* is a sequel to last year's *Othello*, with which Alexander launched his new regime at the Rep and in which Kissoon played the title role. He is a much younger and more potent Prospero than we usually see; fine. But in all five Shakespearian roles I have seen him play he has employed the same barking delivery, the same avoidance of all *legato* connectiveness, the same false stresses, the same blurrings of syllables, the same sudden shouts. I find this casting insufferable.

There is novelty and some freshness in Rakie Ayola's childish, piping, blinking, seemingly stupid Ariel, and in Ginny Holder's quiet but eager Miranda; but neither speaks with any distinction. The best black verse-speaker in the cast, however, is Tony Armatrading as Antonio; he brings a nice cunning to the role. Likewise, there is novelty and freshness in Piali Ray's use of Bharata Natyam style for the spirits' dances; but there is little real pleasure to be had from watching any Indian dance either on a sandy floor or to taped, and partly rock-based music (by Jonathan Goldstein).

All this mars what might otherwise be a first-rate production. In all larger matters, Alexander shows how well he understands this play. The initial tempest – an eerie quiet, marked by the huge slow thudding of a heartbeat and an occasional giant thunderclap and the noise of a colossal tidal wave or two – is thrilling. Ruari Murchison's single set is marvellous, one vast circle of sky at the back and another vast circle of white sand in the centre, the rest being composed of black rock in which we see some of Prospero's books sculpted. Costumes are Victorian; there is a feeling of a 19th-century *Robinson Crusoe* to it all that adds poetry and excitement. Alexander imposes no specious concepts onto the play, and no cerebral ornamentation; even Ariel's magical appearances are simply achieved. I would say that this was a *Tempest* shaped by a deep and loving knowledge of the text – were it not that the above-mentioned members of the cast too frequently stop me from *hearing* the text.

It is a bore to have to say that the white comic actors make the most successful impression, but it is so. Geoffrey Freshwater as Trinculo and Andy Hockley as Stephano take complete charge of the play on their every appearance. I do not care for the stunted way in which Andy Hockley speaks Caliban's words, (proceeding from his line to Prospero "You taught me language"), but he nonetheless gives Caliban a crude rage that is at once funny and disturbing. This *Tempest* is on the verge of being vivid, refreshing, and spontaneous. But that phrase "You taught me language" reminds me that Alexander knows more about the secrets of Shakespearian language than he is teaching his actors.

Alastair Macaulay

Birmingham Rep until Oct 8.

INTERNATIONAL ARTS GUIDE

■ ATHENS

Odeon of Herodes Atticus Tonight: Hans Graf conducts Salzburg Mozarteum Orchestra in Mozart, with piano soloist Danae Kara. Tomorrow: Daphne Evangelatos and Gilles Cachemaille are soloists in a Callas memorial concert. Sep 22, 24: Verdi's Otello (01-322 1459)
Megaron Sun, Mon: Carlo Maria Giulini conducts Orchestra of La Scala Milan in works by Debussy, Franck and Ravel (01-728 2333/ 01-722 5511)

■ BOLOGNA

Teatro Communale The autumn concert season begins on Sep 23 and 24 with an orchestral programme conducted by Jiri Kout, featuring violin soloist Viktor Tretiakov (051-529999)

■ FLORENCE

Teatro Communale Zubin Mehta conducts five performances of Jonathan Miller's production of Cosi fan tutte, opening on Sep 24 with a cast including Karita Mattila, Delores Ziegler and Deon van der Walt. Il filosofo di campagna, a dramma giocoso by 18th-century composer Baldassare Galuppi, will receive four performances at the Piccolo Teatro, starting Sep 26 (055-211158)

■ GENOA

Teatro Carlo Felice The Odessa Opera gives four guest performances of Tchaikovsky's The Maid of Orleans, starting next Thurs (010-589329)

■ MADRID

Teatro Lirico La Zarzuela The autumn dance season begins next Thurs with the first of 10 performances by the Spanish National Ballet (01-429 8225)

■ LONDON

THEATRE

● **The Hostage:** the Royal Shakespeare Company has just unveiled its new production of Brendan Behan's great Irish drama, directed by Michael Bogdanov. It continues in repertory with The Tempest, starring Alec McCowen and Simon Russell Beale (Barbican 071-638 8891)
● **The Devil's Disciple:** Christopher Morahan directs the National Theatre's new production of Bernard Shaw's 1897 satire on melodrama, in repertory at the Olivier with David Hare's Racing Demons and Chekhov's The Seagull (National 071-928 2252)
● **The Playboy of the Western World:** Lynne Parker directs a welcome new staging of J.M. Synge's celebrated play about Christy Mahon, the lying Irish playboy. Till Oct 15 (Almeida 071-359 4404)
● **Design for Living:** Sean Mathias, one of the UK's leading young directors, takes a fresh look at Noel Coward's *menage à trois* who reject conventional values (Donmar Warehouse 071-369 1732)
● **Babies:** Jonathan Harvey's play tells the story of Tammy's 14th birthday party, which mum has thrown in order to ensnare her daughter's teacher – without realising Uncle Kenny has the same taste (Royal Court 071-730 1745)
● **The Winslow Boy:** another step in the Terence Rattigan revival – this time, his 1946 play about the private cost of justice. Peter Barkworth is ideally cast as the stiff upper-lipped father, battling Whitehall to prove the innocence of his son who has been expelled from naval college (Globe 071-494 5065)
● **Dead Funny:** Terry Johnson's brilliant, elegantly-acted comedy about marriage among the emotionally retarded middle classes (Vaudeville 071-836 9987)
● **The Cryptogram:** Lindsay Duncan and Eddie Izzard star in David Mamet's tantalising new play about betrayal (Ambassadors 071-836 1171)
● **She Loves Me:** the charming 1963 Masteroff, Bock and Harnick romantic musical about two penpals who don't know they work in the same parfumerie. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888)

OPERA/DANCE

Coliseum English National Opera has opened the 1994-95 season with a new production of Tosca, conducted by Alexander Gibson and staged by Keith Warner, with a cast headed by Rosalind Plowright, David Rendall and Henk Smit (next performances Sat and next Tues, runs till Oct 27). Jonathan Miller's production of The Mikado is revived on Sep 21 (071-836 3161)
Covent Garden The Royal Opera has opened its season with a revival of Andrei Serban's production of Turandot, starring Sharon Sweet and Giuseppe Giacomini (next performances tomorrow and Mon). La Cenerentola is revived on Sep 26, and the first new productions of the season are Das Rheingold and Die Walküre on Oct 13 and 14. The Royal Ballet returns on Nov 3 with Anthony Dowell's new production of Sleeping Beauty (new box office number: 071-304 4000)
Sadler's Wells British Youth Opera presents Eugene Onegin tonight and Sat, and Rossini's Thieving Magpie tomorrow. Cumbre Flamenca, a Spanish flamenco group, opens a three-week season on Tues (071-278 8916)

CONCERTS

South Bank Centre Tonight: RPO plays symphonic music from Mexico. Sat: Daniele Gatti conducts RPO in Brahms and Prokofiev, with violin soloist Shlomo Mintz. Sun: Giuseppe Sinopoli conducts Philharmonia Orchestra in Strauss and Mahler, with soprano Edita Gruberova. Next Wed: Endellion String Quartet plays Britten, Beethoven and Schubert, with pianist Jean-Yves Thibaudet (071-928 8800)
Barbican Sat: an evening of barbershop. Tues: George Lloyd conducts Bournemouth Symphony Orchestra in three of his own works. Next Wed: first concert in London Symphony Orchestra's Mahler festival, including world premiere of a new work by James MacMillan (071-638 8891)
Wigmore Hall Mon: Jennifer Larmore song recital. Tues: Nash Ensemble plays new chamber works by Henze. Sep 27: June Anderson (071-935 2141)

■ MILAN

Teatro alla Scala The Zeffirelli production of La boheme is revived on Sat for six performances, with casts including Mirella Freni, Roberto Alagna, Nicolai Ghiaurov and Gino Quilico, conducted by Gianandrea Gavazzeni (02-7200 3744)

■ PRAGUE

CONCERTS

The Prague Symphony Orchestra's 1994-95 season begins next Wed and Thurs with a Dvořák and Suk programme conducted by Charles Mackerras, featuring cello soloist Ofra Harnoy. The orchestra is sharing the Rudolfinum with the Czech Philharmonic this season, while its home at the Smetana Hall is renovated (02-2489 3111). The Czech Philharmonic's first concert is on Sep 30, when Gerd Albrecht will conduct works by Fibich, Ullmann and Brahms (02-2489 3352)

OPERA

Don Giovanni can be seen at the Estates Theatre on Sep 16, 22, 27 and 30 (02-2421 5001). This month's repertory at the National Theatre includes Dvořák's Rusalka and The Devil and Kate, Smetana's The Bartered Bride and Dalibor, and Tchaikovsky's Eugene Onegin (02-2491 3437). Prague State Opera has a popular repertory including Carmen, Madama Butterfly and Nabucco (02-2421 5031)

■ TURIN

Settembre Musica continues with tonight's concert at the Conservatorio given by the Dowland Consort. The festival also includes a Mozart and Bach choral concert at San Filippo on Sat afternoon, and a concert performance of Gluck's Orfeo conducted by Richard Hickox at the Teatro Regio next Wed. The final performance is Pelléas et Mélisande at the Regio next Thurs (011-562 0450)

■ WARSAW

The Warsaw Autumn contemporary music festival opens tonight and continues till Sep 24. Anne Sophie Mutter is violin soloist tomorrow in a Lutoslawski programme. Antoni Witt conducts Polish Radio Symphony Orchestra in Panufnik's Sinfonia di Sfere on Sun, while Klangforum Wien pays tribute on Mon to another recently-deceased Polish composer, Roman Haubenstock-Ramati. The younger generation of Polish composers can be heard in a lunchtime programme on Sat entitled Hits from the Sixties to the Nineties. Foreign composers represented this year include Henri Dutilleux, Magnus Lindberg, Bright Sheng, Salvatore Sciarrino, Elliott Carter and Cornelius Cardew (Warsaw Autumn, Hotel Europejski, Krakowskie Przedmiescie 13, Warsaw. Tel 022-265051 Fax 022-26111)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

A man who could not care more

BOOK REVIEW

YEARS OF HOPE: DIARIES, PAPERS AND LETTERS 1940-1962
By Tony Benn
Hutchinson. £25, 442 pages

Tony Benn has been so spectacnlarly wrong on so many subjects over the years that it is pleasant to record his achievements. By far the greatest is that he has written the best, and probably most accurate, British political diaries of our time.

Years of Hope is the sixth and presumably final volume. Sub-titled *Diaries, Papers and Letters 1940-1962*, it belps to explain a great deal of what came later, but was published earlier.

"I am going to try out a political diary," Benn wrote in January 1951, having just been elected to Parliament as the "baby" of the House at the age of 25. "What I want to do is to highlight the most significant events of whicb I am a witness and set down contemporary accounts and opinions which my memory would probably distort to suit current purposes were I to try to recall them later on."

The Benn of the 1950s was not quite as assiduous in his daily jottings as the Benn of the '60s, '70s and '80s. Yet he stuck to his basic principle: write it down as you see it and hear it at the time, however fatuous it may seem afterwards.

A lesser man would have eliminated some of the entries in *Years of Hope*. Here, for example, is Benn's comment on a party at the American embassy in London in April 1959 at which he admits that he and his wife had "a whale of a time": "One wondered how a society led by these sort of people could possibly withstand the thrust and dynamism of the Chinese communes working away so feverishly and seriously on the other side of the world."

Back at the embassy for dinner in December, he recorded: "This was gracious living at its height. I cannot but feel that western civilisation has reached its peak and is now slowiy declining before the upsurge of pressure from the more serious societies."

He thought (January 1960) that American culture had "detribalised Britain to some extent and we shall be better off still when we get the full blast from Russia and China".

Benn was not alone in his delusions. The recorded entry for October 21 1960 reads in full: "Rang Audrey Callaghan. She said Jim was very depressed, but had come back from Czechoslovakia convinced that socialism does work."

He wrote of Harold Wilson in the same year: "My contempt for him grew each time I met him and I don't think that he has one-tenth the character of Gaitskell." That was in spite of the fact that Benn's opinion of Gaitskell, character and otherwise, was low, except perhaps wben Gaitskell was nice to him.

The paradox was that in those days Benn seemed a rather moderate member of the Labour party. Some of his friends and contemporaries were well to the left of him: for instance, Woodrow Wyatt, Bob Mellish and George Thomas (now Lord Tonypandy). Subsequently the others moved to the right; Benn is one of the few figures in politics to have moved steadily leftwards as he grew older.

There is perhaps a partial explanation in *Years of Hope*. Benn was very much a child of his time. Public school and Oxford, he accepted the second world war and his duty to volunteer. He trained as a pilot, longing to get into battle. He used all the boyish RAF language like "wizard" and "wizzo". He chased the most obviously attractive girls without a great deal of success, and had to remind himself to pursue someone more serious. When Noel Coward came to visit the base in Rhodesia where he was stationed, Benn thought the maestro's best line: "Grandpa ate a large apple and made a rude noise in the Methodist Chapel."

His brother Mike was killed in action. Politics ran in the family. Both his grandfather and his father were MPs. But there came a problem: the father, William Wedgwood Benn, was a Labour minister who was sent to the House of Lords in the days when peerages were only hereditary.

The young Tony (or James or Jiggs, as we now know he was called in his youth) objected from the start, for it meant that at some stage he would have to take the title and be ineligible for the House of Commons. In this he had something in common with Lord Hailsham, who was also from a long-standing political family and believed that it ougbt to be possible to renounce a peerage in order to stay in elective politics.

As Benn tells here, he began working with Hailsham and a few other Tories for reform in the early 1950s. Some Tories opposed it because they did not want either Hailsham or Lord Home back in the Commons as rivals. When the reform was finally achieved in 1963, one of the prime beneficiaries apart from Benn was Home, who promptly became prime minister.

Benn and Hailsham had other affinities. There is an uncanny resemblance in mood between these diaries and Hailsham's recent book, *Values: Collapse and Cure*. Both are tales of postwar hopes not being realised: their restlessness simply came out in different ways. It is striking, too, that several of Benn's early political friends were Tories: Sir Edward Boyle especially, but also Enoch Powell ("as a working-class Tory he has the social barrier to overcome") and Edward Heath ("a most amiable and friendly soul").

Benn is sometimes too kind to tyrants. He had a love affair with the third world, which he never wholly understood. But on the whole he likes rebels. He writes of Violet Bonham Carter: "She has a tremendous vitality and an unparalleled enthusiasm for life. She belongs to the 'couldn't care more' brigade." Just like Benn, though there is another hero to the diaries. That is Ruth Winstone who has edited the lot. She says that *Years of Hope* was the most enjoyable task of all, and she may be right. Ms Winstone deserves a medal.

Malcolm Rutherford

ECONOMIC VIEWPOINT

Interest cost of UK opt-out

By Samuel Brittan

The UK chancellor, Kenneth Clarke, would have had a whiff of the worse than expected UK Retail Prices Index and the faster than expected drop in unemployment by the time hs accepted the Bank of England's advice to raise base rates. This was last Friday, 48 hours after his monthly meeting with the governor, Eddie George, at which he had asked for a couple of days to consider.

Nevertheless, these two indicators on their own would not have been decisive. The 0.1 percentage point rise in the underlying RPI could well have been a blip due to the end of the summer sales. Moreover, the fall in unemployment is not yet being accompanied by a rise in the total number of jobs, let alone full-time ones.

The main reasons for the base rate move were listed in a Treasury statement. Some of the elements could have been cited a few months ago, such as the growth of M0 (cash balances) persisting above the monitoring range. Other trends, such as rising output expectations and higher sterling commodity prices, and more vigorous recovery abroad have intensified.

The two most important elements were, however, the upward revisions in the GDP estimates and detailed analysis suggesting rising prices of intermediate products.

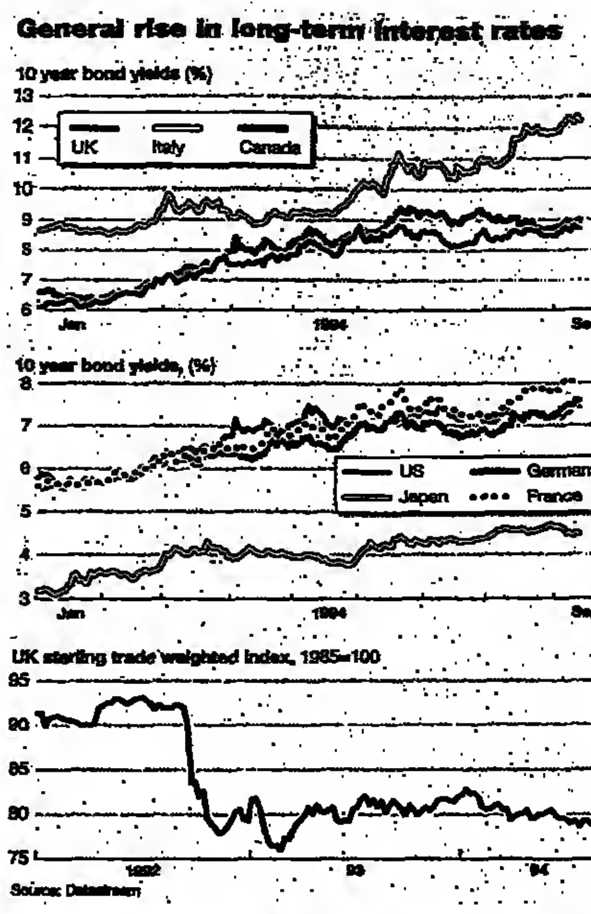
Vigilance is required in reacting to the GDP estimates. For instance, the headline figure of 3.7 per cent real growth in the year up to the second quarter of 1994 includes North Sea oil, which is both highly volatile and exerts little direct pressure on the UK activity. The Treasury invented a measure called "non-oil GDP" with which it made great play when it suited its purpose. This is still the most relevant measure today. Non-oil GDP has on the latest estimate risen by 3 per cent, which is hardly breathtakingly high.

Simply to look at this growth rate and contrast it with a guesstimate of underlying growth of capacity of 2 to 2¼ per cent per annum is a howler. The degree of spare capacity and unemployment are crucial. A 3 per cent growth rate means something very different when the country is emerging from a severe recession from what it does if the economy is running along its trend line or bumping against the limits of capacity.

In fact the best domestic reason for raising UK short-term interest rates was given in a reader's letter to the FT by Dr J. Popham (September 13). It was simply that the risk in raising rates at this stage of the cycle, when world output is recovering strongly, would be much smaller than the risk in not raising them – which could reinforce the sceptical view that the UK has not kicked its inflationary habits.

I doubt if the Bank of England would quarrel with the view of the former chancellor, Norman Lamont, that short-term UK interest rates are likely to rise to 7 per cent. The governor's speeches, while avoiding crystal gazing, have assumed that UK short-term rates have been abnormally low in the aftermath of recession, and that normal growth would require something higher. If the appropriate real rate of interest is about 4 per cent, then 2½ percentage points have to be added for inflation, even on an optimistic estimate, and perhaps ½ per cent as a risk premium.

These considerations apply to other European countries where short-term interest rates have not yet risen. In the main this is because recovery has come later on the Continent. But there are other differences which are revealed by looking at long-term rather than short-term rates.



Since the beginning of the year, average bond yields have risen in the Gronp of Seven countries by nearly 2 percentage points. The rise in yields on UK indexed gilts would suggest that about 1 percentage point of this increase represents higher real interest rates and the rest a deterioration in inflationary expectations.

The European Monetary Institute has apparently carried out a study of the behaviour of bond rates. It did not explain the worldwide rise, but fell back on the next best thing, which was to investigate the differential increases from one country to another.

The charts are a rough attempt to replicate it. They show that Japan has both the lowest level of bond yields and has experienced the smallest increase in them – by a very wide margin. (In August, the Japanese yearly inflation rate became for the first time negative at minus 0.2 per cent.) The US and Germany cluster close together with bond yields of about 7¼ per cent, although Germany has a slightly faster rise of nearly 2 percentage points. Only slightly behind comes France.

The UK on the other hand heads the also-rans. Before the base rate rise, it had experienced both a larger increase in bond yields than the countries so far mentioned and had seen them rise to a higher level. Ten-year bonds rose in the UK in 1994 by some 2.7 percentage points. The yield was standing before the base rate rise at 8.8 per cent – a higher level than in these other countries. The only G7 country it clearly beat was Italy, whose well-known problems have been reflected in bond yields of well over 12 per cent.

It is anyone's guess why the UK, which has achieved a near-record underlying inflation low (superior to any other G7 country except Japan and France), has not done better in the bond stakes. Sterling has been weak against the D-Mark and European currencies, but strong against the dollar. Its trade-weighted index has been above the low point reached after the forced withdrawal from the ERM, but it has been sagging for most of this year. It was indeed an element in the government's base rate decision. The hope was that a sterling crisis would be pre-empted well before the markets started talking about one. Obviously the chancellor plays down this element in view of the peculiar emotions which any idea of looking at the sterling rate arouses in some Tory MPs.

The Treasury and Bank claim that what market developments mainly sbow is the need to reinforce the credibility of the new anti-inflationary machinery in Britain, the high point of which is the regular monthly meeting between the chancellor and governor. They hope that sucb confidence will be reinforced by a pre-emptive strike such as this week's base rate move.

But I fear that there may be more to it than tbat. Another development is that European monetary unioo has recovered some credibility, as the European economy bas recovered and hard core countries have remained within hailing distance of their old ERM parities. But the idea has also become entrenched that the UK and Italy will not be among the initinl members. And is not the anti-inflationary credibility of a likely Emu member still higher than that of an outsider?

In fact Britain stands as good a chance of fulfilling tho Maastricht criteria for Emu membership as most of the probable members. The present British government looks likely to exercise its opt-out mainly because anything else would split the Tory party from top to bottom. Meanwhile, financial markets are not yet completely convinced (a) that Labour will win the next election, (b) that, if it does, it will have the courage to follow the instincts of its present leadership and join Emu (although my own view is that it would) and (c) that, even if a Labour government did join Emu, this would outweigh its pro-trade union instincts.

The important point is that opting out of Emu does have an economic price which the UK may already be paying in long-term interest rates higher than those of partner countries, and in the need to reinforce confidence by base rate increases earlier than it otherwise might. This is not an element of policy which either the Treasury or Bank would at present emphasise: which is all the more reason for others to do so.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Coal sale must stress viability

From Mr George R J Guise.

Sir, You are right to argue that the taxpayer should receive the highest possible return on the sale of British Coal, but wrong to claim thet this is measured solely by the highest bid ("Privatising British Coal", September 12).

Ths highest return to tha taxpayer would be for the problems of the long-suffering coal industry to be taken from government's door and never to return. The chance of this happening will be maximised by selecting whichever bid demonstrates the greatest financial and operational viability and a fair price for future cash flows.

For example, a very highly geared bid which crashed a few years down the road, perhaps at election time, would have all the bleeding hearts back at the Department of Trade and Industry's and the Treasury's doors. Ministers would be nostalgic for the relative tranquillity of October 1992.

For the coal industry to move irreversibly into the private sector, tha winning bid must also demonstrate a leadership which has the support of the workforce as well as the marketing and technical skills to maintain sales of a commodity, currently in chronic oversupply, while continuing to produce at an internationally competitive cost.

The government should therefore be seeking a proposal which not only proffers a fair price but, even more importantly, has the least chance of returning the industry to its own doorstep.

George R J Guise,
(prime minister's policy unit, 1986-90),
90 Long Acre,
London WC2E 9RA

Minimum solvency to protect pensions

From Mr Ron Amy.

Sir, Your article "Pensions body calls for more time on short-falls" (September 12) suggests that the National Association of Pension Funds has changed its views on the need for a minimum solvency requirement (MSR) as proposed in the government's white paper on pensions. This is not the case. The NAPF continues to believe the MSR is an essential part of the new framework to ensure greater protection of members' benefits. It will provids an early warning of a scheme running into financial difficulties and will be important in underpinning the proposed compensation scheme.

However, the annual minimum solvency test is only a snapshot at a point in time. The best way to maintain the security of members' benefits is for the employer to make a long-term commitment to fund the scheme on s prudent basis, subject to regular review by independent actuaries. Satisfying the MSR on a regular annual basis should be seen as a by-product of such prudent long-term funding.

Where a scheme is being funded on a prudent long-term basis, any shortfall against the MSR is very likely to be temporary and should not automatically have to be corrected in the short time spans proposed by the government. In such circumstances, and if the employer's covenant is good, the new Occupational Pensions Regulatory Authority should have authority to allow longer periods for solvency to be restored.

Such an approach would help to ensure that precipitate and unnecessary action is not taken where the MSR deficit is judged to be of a temporary nature and is likely to be corrected by continuing normal funding.

Ron Amy,
chairman,
National Association of Pension Funds,
12-18 Grosvenor Gardens,
London SW1W 0DH

No question of class here

From Dr G Wallenwein.

Sir, I very much appreciate Quentin Peel's and Judy Dempsey's articles about Germany such as the one on ths German election campaign, "Firmly footed for the final hurdle" (September 10). Unlike many German journalists, they give a clear and unbiased view.

What I dislike, however, is tbe translation of Bundestag into lower house (and, likewise, Bundesrat into upper house). Since there are neither commoners nor lords in this country, no reference sbould be made to class. I think the British reader does not need such translation.

G Wallenwein,
Antoniterpasse 4,
D-65812 Bad Soden,
Germany

Prison policy unchanged

From Mr Derek Lewis.

Sir, I am responding to points made by Mrs Paddy Seligman in her letter published in several newspapers and referred to in your report "Howard accused on jail rule change" (September 13). Neither the home secretary nor the prison service has sanctioned any relaxation of security for IRA prisoners or provision of any special privileges.

When the special unit which held the IRA prisoners at Whitemoor was first opened, in July 1992, it was not general practice to conduct rub-down searches of visitors to prisoners in all such units. Following a review of policies, instructions were issued by prison service headquarters in May of last year which required full rub-down searches for all visitors in all special secure units.

That policy has applied at Whitemoor since the reopening of the special secure unit in June 1993. It will be a matter for the inquiry which is now under way to confirm that this policy was being fully implemented. The prison service policy is that no special privileges are given to IRA prisoners that are in any way different from other prisoners of the same security category.

Maintenance of security is the top priority for the prison service. Our policy is to ensure adequate staff are available to maintain security. There have been no reductions in the number of security staff at Whitemoor, which is fully staffed.

Derek Lewis,
director-general,
HM Prison Service,
Cleland House,
Page Street, London SW1P 4LN

Telephone tariffs compared

From Mr Alan Harper.

Sir, Your report of Mercury One-2-One's new business tariff ("Lord Young left with a face to match his bright red bow tie", September 9) compared the quarterly access charge for our Inside Option (£64.47) with the quarterly charge for a fixed BT business line (£32.66). A more relevant comparison would have been against the combined cost of subscribing to both a BT business line and a cellular phone – typically £107.66 per quarter.

By offering daytime "fixed" calls from an office/workshop location that are cheaper than BT and "mobile" calls that are substantially cheaper than on the conventional cellular networks, Mercury One-2-One has created a very competitively priced and self-contained communications package with great appeal to the self-employed business community.

Our market trials of Inside Option demonstrated that the self-employed entrepreneurs who form the bedrock of the economy are less fixed in their thinking about innovations in telecommunications than many commentators.

Alan Harper,
business strategy director,
Mercury One-2-One,
Elstree Tower,
Elstree Way,
Borehamwood, Herts WD6 1DT

Probably not a gambler

From Mr Chris Adam.

Sir, Re the article "Hand in hand" (Technology, September 6), I was surprised by Prabha Fernandes's interpretation of the probability theory applied to gambling, "the more you play, the better the chances of getting a hit". Any seasoned gambler will know that the odds of any random event occurring are not influenced by the history of that event. Either Mr Fernandes is a successful research executive or an unsuccessful gambler.

Chris Adam,
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FINANCIAL TIMES

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Thursday September 15 1994

Mr Clinton's slow track

President Clinton's troubles are coming in battalions. Now he has had to abandon his request to attach a "fast-track" authority to the passage of the results of the Uruguay Round of multilateral trade negotiations. This setback is not without advantages. But the disadvantages outweigh them, since the US capacity to enter serious new trade negotiations has probably been crippled.

Tha purpose of a fast-track authority is to ensure that Congress will vote on the results of a negotiation as a whole. In the absence of such an authority, US partners believe negotiations are likely to prove fruitless, since their results are exposed to the death of a thousand amendments.

True, the US has entered trade negotiations without such an authority in the past. But the current resurgence of protectionist sentiment makes that course riskier for its partners and less rewarding to itself than during the early years of the Uruguay Round. In any case, nothing much happened in the Uruguay Round either until a fast-track authority was granted.

The reason Mr Clinton has been forced to drop the request, which had been attached to the Uruguay Round package, says much about why it was important. His administration and, indeed, most Democrats regard the incorporation of labour and environmental standards in further trade negotiations as essential, while Republicans regard their inclusion as anathema. The result of the conflict was a stalemate not just on fast track, but on passage of the round itself.

Rightly, the administration decided that the round was the first priority. Ratification should now proceed apace, which ought to shame laggards elsewhere, not least the European Union. It is also difficult to weep tears for the lack of an obligation to negotiate on labour and environmental standards. Mr Mickey Kantor, the US trade representative, will still be able to raise these topics in negotiations. But he will, fortunately, be unable to tell his counterparts that they must give the US something in these areas to meet conditions set by Congress.

The prior question, however, is whether there will be any negotiations. The Clinton administration's intention to pursue trade negotiations actively within the Americas and the Asia-Pacific Economic Co-operation forum has been derailed. The president has a summit with the former grouping in Miami in December, and with the latter grouping in Jakarta in November. What can he now bring them?

It may, in fact, prove impossible for the administration to impart momentum to any trade negotiations for the *balance of its term*. But what does not go forward may well go backwards. That is still more likely when many of the new Congressmen are likely to incline towards protectionism. It is good news that the US should soon write *finis* to the long effort to negotiate the Uruguay Round. But that is the past. The future of trade policy is now shrouded in doubt.

A new Ken

Mr Kenneth Clarke has seen the future and it is wearing a hair-shirt. Not content with Monday's display of monetary austerity, the chancellor of the exchequer is telling his party to expect the same prudence with regard to taxes. He is asking the government to gamble that making the voters feel safe is a surer re-election strategy than trying to make them feel good.

On the face of it, Mr Clarke's approach makes good economic and political sense. Sterling's humiliating departure from the European exchange rate mechanism left the public, as well as the financial markets, distrustful of the government's macroeconomic credentials.

A single pre-emptive interest rate increase, like Monday's half-point rise, will not convince them that the Conservatives are once again the party of sound money. Resisting pre-election tax cuts, on the other hand, might look impressively frugal, particularly if the Conservatives continue to lag so far behind in the polls.

Yet Mr Clarke's hair-shirt has a number of holes. The first is practical: Mr Clarke may not convince the rest of his party that austerity makes sense. Resisting tax cuts in this November's budget will not be too difficult, since many in the party had already accepted that an early giveaway was unlikely. In 1995 and 1996, however, the pressure for some pre-election crowd pleasers could be considerable.

In fact, no credible chancellor can definitively rule out tax changes – whether increases or cuts – for the coming two or three years. The target of Mr Clarke's sombre warnings would seem to be, not supporters of lower taxes, per se, but those who would wish him to lower them in the run-up to the next election, even if the government's public spending targets have not been met.

Mr Clarke may be correct that trying to revive a voter feel-good factor with tax cuts could backfire on the government if the fiscal deficit were to remain high. In truth, however, the public sector borrowing requirement is likely to fall dramatically over the period, thanks to the combined effect of lower inflation and economic recovery.

Indeed, the figure for 1993-94 is likely to be around £30bn-£31bn, considerably less than the £36bn predicted at the time of the last Budget. Keeping to last year's nominal spending targets has proved simpler than many supposed, since very low inflation enables a greater voluma of spending at no additional cost.

It is possible that Mr Clarke is simply playing a chancellor's traditional role, by lowering pre-budgetary expectations. Certainly, if ministers really believed that tax cuts were ruled out, they would have every incentive to think of ways to spend the extra cash granted them by lower inflation. Mr Clarke should be careful not to encourage quiet pre-election profligacy of this kind.

Polish lessons

The debt-reduction accord signed with great fanfare in Warsaw yesterday is a casa of virtue rewarded. Nearly five years after pioneering "shock therapy" market reforms, Poland is an economic success story, by post-communist standards, with a growth rate last year of 4 per cent. The debt agreement, which halves the country's $14bn commercial debt, will complete the nation's economic transformation, by making Poland a member in good standing of the international financial community.

While Poles have a right to celebrate, their less successful neighbours to the east and south would do well to consider *how they* earned it. The first Polish lesson is speed. Radical economic reforms work best when, as in Poland, they are implemented immediately after the collapse of the old regime, when governments have the greatest credibility and citizens the greatest endurance. The initial caution – or cowardice – of the countries which failed to follow Poland's lead has made their task much more difficult.

The second lesson is steadfastness. Market reforms – as Poles know from the first six months of 1990 when prices soared, and wages and production plummeted – are initially traumatic. But the conclusion that countries like Russia need less shock and more therapy is mistaken. The wiser council, which Polish leaders heeded, is to endure the shock and patiently await the therapeutic outcome.

Even so, shock alona is not enough. The third Polish lesson is that a package of reforms can be much more than the sum of its parts. Privatisation, the one area in which Russia has moved more radically than either Poland or Hungary, is no bad thing, but it is not the key to successful reform. What matters, instead, is to create a market through liberalisation and macro-economic stabilisation. Governments must force enterprises to live, or die, in that market, by severing the umbilical cord that ties inefficient state factories to the state treasury, ultimately strangling both.

This is, of course, no easy task, because many inefficient state factories must be shut down and their workers be mada at least temporarily unemployed. The fourth Polish lesson, which applies with even greater force to Russia and Ukraine, is that western financial backing, at the right moment, can provide a life-jacket for countries about to throw themselves into tha initially frigid waters of reform.

The west gave Poland that support, in the form of a stand-by stabilisation loan, followed by debt forgiveness. Kiev's leaders are, for example, still dithering on the brink of radical reforms. The time for the new government of President Leonid Kuchma to make decisive changes is running out. They must act radically and comprehensively, as the Poles did, but first they need a firm and detailed promise of substantial western support in reward for taking the plunge.

The US president's falling popularity will hinder Democratic candidates as they prepare for midterm polls, says Jurek Martin

Revolt against Washington

On Tuesday Marion Barry, convicted four years ago on cocaine charges, was in effect elected for the fourth time as mayor of Washington, DC. On Monday Oliver North, whose criminal conviction on Iran-Contra offences was only overturned on a technicality, was basking all over Virginia in the day-long company of Senator Robert Dole, titular head of the party of Abraham Lincoln.

There might not seem much in common, beyond brushes with the law and political ambition, between Mr Barry, whose Democratic primary victory virtually assures that he will get his old job back on November 8, and Mr North, who has a good chance of becoming the next US senator from Virginia. But their very disparate supporters – poor and black in the nation's capital and disgruntled and white in the contiguous state to the south – are saying pretty much the same thing and it resonates across the country.

The message, which amounts to "we want ours", is that the disenfranchised and dispossessed, as they see themselves, have had enough of the political establishment. It was a voice heard loud enough in the 1992 presidential elections when 62 per cent of the country voted for Bill Clinton and Ross Perot and against the Washington status quo. But now it is the Democrats who represent the establishment. Mr Clinton's message of "change" is faltering in the public perception while the party cannot hide the fact that it has ruled Congress largely uninterrupted for the past 40 years.

For the Democrats, the triumph of the disgraced and discredited Mr Barry is simply another embarrassment. For Mr Dole, who earlier this summer had expressed reservations as to whether Mr North was the sort of person he wanted representing his party in the Senate, the prospect of *any* Republican gain on November 8 is now reason enough to cast personal doubt aside. He has, after all, always fancied his instinct for the jugular and the Democratic throat is invitingly exposed.

Its margin for safety in the congressional and state midterms, especially in the Senate, is slim. It commands the Senate by 56 seats to 44, the House by 256 to 178 (with one independent) and the governorships by 29 to 19 (with two independents). As usual, Democrats are defending far more seats than Republicans and anything much worse than the average loss incurred by every new president in maiden midterms since the war – four in the Senate and 26 in the House – could hand the Senate back to the Republicans for the first time since 1986. A real Democratic debacle, unlikely as it may be, could produce a Republican House, last seen in 1954.

It may seem odd that this should be so, given the relative health of the US economy, the dominant issue in Mr Clinton's election two short years ago. But the midterms, with their focus on local issues and personalities, rarely are driven by national themes. The public mood remains very sour on politicians in general and on Democrats in particular.

Mr Perot may only intermittently visit this planet and his nascent political organisation, United We Stand, still rests in the cradle. But his supporters, all contactable on computerised registration lists, are increasingly identified with Republican, not Democratic, positions. Voter turn-out, compounded by Democratic disaffection, is likely to be typically low, which favours the more motivated Republicans, above all the zealots on the right.

Mr Clinton's own popularity, now 40 per cent and falling, is of no help to Democratic candidates who are distancing themselves by the dozen from him. The failure to pass meaningful healthcare reform has deprived the president and his party of a prime domestic issue, while the crime bill was so messily approved that credit is hard to claim. The Democratic national committee is in disarray, its young Clintonista chairman, David Wilhelm, put out to pasture, with the White House political staff under Leon Panetta too preoccupied in Washington to fill the void.

Foreign policy is not intruding much but the prospect of an unpopular invasion of Haiti does not help Democrats, except possibly with blacks. Opposition to illegal immigration is a popular cause in California and Florida, providing rich pickings for two incumbent governors in tight races, Pete Wilson, the California Republican, and Lawton Chiles, the Florida Democrat, both only too willing to blame local problems on Washington mismanagement. The immigration issue suggests that the strain of isolationism so evident in the 1992 campaigns of Perot and Pat Buchanan, the Republican conservative, is still virulent.

Although only a handful of incumbents was turfed out in party primaries this year, holding office is probably no more of an asset now than even in 1992. Up for grabs on November 8 are 35 Senate seats, 22 held by Democrats; all the House; and 36 governorships, 21 of them in Democratic hands. Open seats, created mostly by retirement, leave the Democrats further exposed since they occupied six of the nine Senate seats and 49 places in the House. Additionally, as many as 35 of the party's large House freshman class appear vulnerable.

In the Senate, a six, not seven, seat Republican net gain is all that is required in practice, since Senator Richard Shelby, the Alabama Democrat, as often as not votes with the opposition and could even be tempted into switching sides. The best Democratic hope at present seems to be to limit the haemorrhage to four or five seats.

But the list of its endangered species is disturbingly long. It aven now includes Maine, where Senator George Mitchell, the majority leader, would have walked back in had he not chosen retirement but where Republican congresswoman Olympia Snowe is now favoured. Ohio, Arizona, Michigan and Oklahoma are incumbent-less Democratic seats at serious risk, while at least three prominent senators, Dianne Feinstein in California, Harris Wofford in Pennsylvania and Frank Lautenberg in New Jersey, appear in the tightest of races.

Even presumably rock-solid Democratic seats, such as those held by Edward Kennedy in Massachusetts and James Sasser in Tennessee, are now, according to local polls of varying reliability, fragile. It does, however, boggle the mind that Mr Kennedy, 32 years a Senator, might lose to Mitt Romney, son of George Romney, a fleeting favourite in the 1960s for the Republican presidential nomination.

Offsetting this, the Democrats retain some hopes of picking up the open Republican-held seats in Minnesota and Wyoming and conceivably that occupied by Conrad Burns in Montana. They also console themselves with the knowledge that a lot can happen in two months.

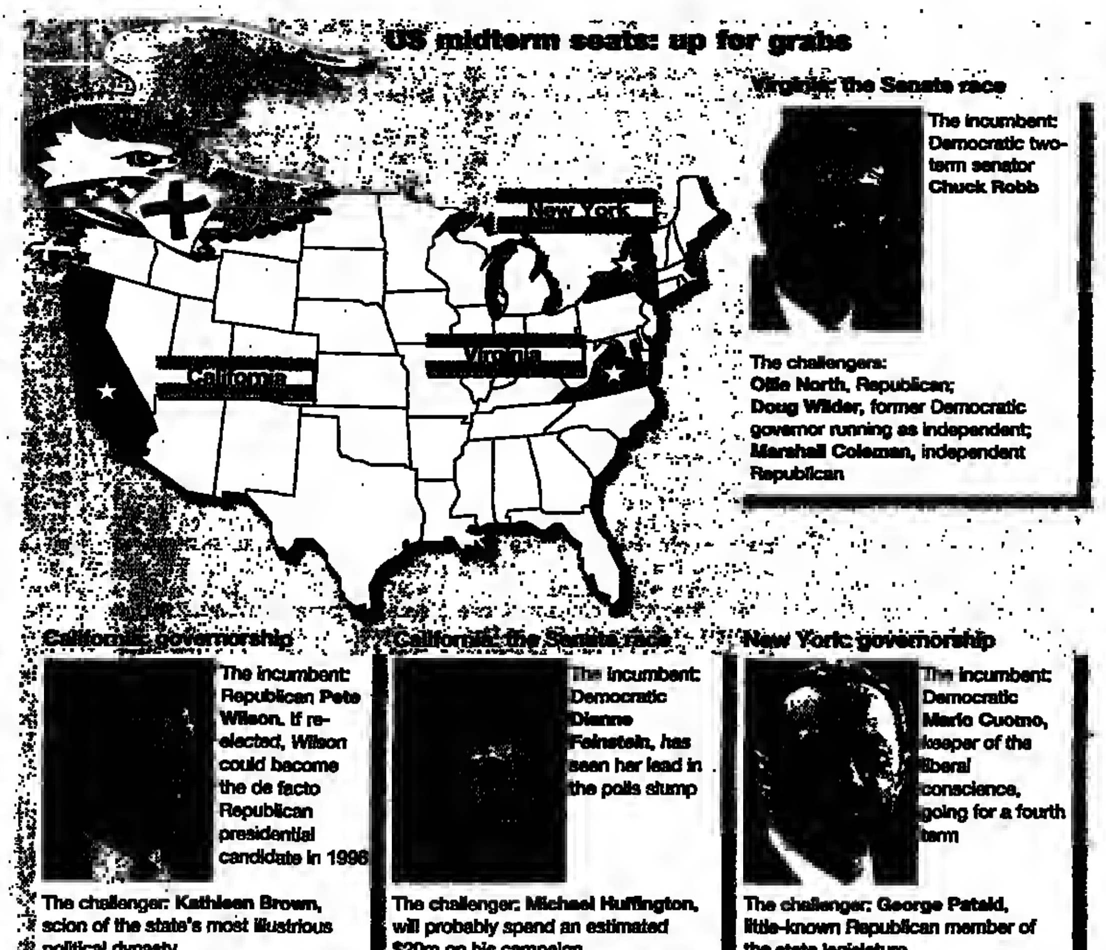
The realistic Republican target in the House seems to put control beyond reach, but a 30-seat pick-up would give the party more seats than it had held in 40 years and would surely shift the chamber's ideological balance appreciably to the right. This would be manna from heaven for Congressman Newt Gingrich, the aggressive conservative from Georgia who is virtually certain to assume the Republican leadership. Some of the wafer-thin margins of victory won by the administration on issues such as the budget, trade and the ban on automatic weapons would be hard to replicate.

Republican control of the Senate would not mean business as usual for either President Clinton or the rest of the world. Columnist William Safire of the New York Times recently noted with barely disguised glee some of the consequences for key committee chairmanships if power were to change hands.

Senator Jesse Helms, the right-wing scourge of all liberally-inclined diplomats and foreigners, could, if he wanted, have foreign relations, unless he chooses to protect his North Carolina tobacco farmers by taking agriculture. Strom Thurmond, age 91 and hardly less conservative with the passing years, would succeed Sam Nunn at armed services. Al D'Amato would surely turn the banking committee into a running forum for Whitewater charges. It is a partisan team that would give the White House fits and pretty much ensure short shrift for any presidential policy initiatives in the next two years.

Intriguingly, the Republicans stand on the brink of what would be a relative nirvana without necessarily offering much of a coherent alternative of their own to the policies of President Clinton and his party. The party's own severe fault lines between its traditional centre and hard-line right remain palpable and a potential handicap for the national campaign in 1996.

Nor, history suggests, would a midterm disaster for Mr Clinton necessarily consign him to the 1996 presidential wastebasket. House seats lost in both Eisenhower's and Reagan's first midterms (18 and 26 respectively) were larger than the 15 and eight of 1978 and 1990 under Jimmy Carter and George Bush, who did not survive the next elections. But that may be a small consolation if the morning of November 9 lives up to Mr Dola's expectations.



UNDER STARTER'S ORDERS

CALIFORNIA: for governor, Pete Wilson against Kathleen Brown. If Mr Wilson, the Republican incumbent, wins re-election convincingly, an improbable prospect as the year began, he would become a huge national political force – to the point, some serious pundits believe, of becoming the instant favourite for the party's presidential nomination in 1996. A "new face, west-east" ticket pairing him with Christie Whitman, the popular tax-cutting governor of New Jersey, has many Republicans salivating – though not the religious right because both are pro-choice on abortion.

If Ms Brown, the state treasurer from California's most illustrious political family (daughter of Governor "Pat", sister of Governor Jerry), revives her faltering campaign and triumphs, she, too, would assume great national significance, if not for 1996 then certainly for the millennial election.

Mr Wilson is benefiting from a state economy finally in recovery and he has taken a tougher line than *Ms* Brown against illegal immigration and on crime. But he could end up as 1994's Jim Florio, the New Jersey governor who also appeared to have risen from pits of unpopularity last year only to be beaten at the wire by Ms Whitman.

For the Senate, Dianne Feinstein, the Democratic incumbent and former mayor of San Francisco, against Congressman Michael Huffington, the transplanted Texas oil heir married to the ambitious former Ms Arianna Stassinopoulos, who makes Hillary Clinton look positively retiring. No race anywhere will be more expensive and Mr Huffington will probably more than double the $10m he spent in 1992 to win his House seat. Lavish campaign advertising has narrowed Ms Feinstein's lead appreciably, but both Mr Huffington and his wife are now facing much media scrutiny and some derision.

NEW YORK: for governor, Mario Cuomo, the Democrat going for a fourth term, against George Pataki, hitherto obscure Republican state legislator. The state may be getting bored with its prince of the Hudson, who keeps declining offers to move to Washington. A Cuomo loss would be devastating to liberal Democrats nationally.

VIRGINIA: for tha Senate, the joke is that the state would rather vote for none of the four candidates. Two independents muddy the "character" war between Chuck Robb, the incumbent, two-term senator whose confessed extramarital sex life has left him open to criticism, and Ollie North. Doug Wilder, former Democratic governor, is running because he cannot abide Mr Robb, and Marshall Coleman, the Republican, wants to stop Mr North. Neither will win, but how they do may decide the outcome.

The North advantage is that at least his fanatical core support is solid, especially from the religious right, now a real power in Virginia. The Robb edge lies in the populous Washington suburbs which hoped they had seen the last of North.

TEXAS and FLORIDA: noteworthy because two sons of former president George Bush are Republican candidates. George W. Jr takes on the salty Ann Richards in Texas, while Jeb has a chance of handing Lawton Chiles his first ever defeat in a Florida election.

OBSERVER

Oxbridge Keele hauled

■ The Keele connection continues its conquest of Whitehall, leaving products of the Oxbridge finishing school strewn in its wake. Keele University graduate Richard Mottram will take the top job in the Ministry of Defence when Sir Christopher France retires in March.

Back in his old department, Mottram will have another Keele man as his deputy – Moray Stewart. And at the weekly meeting of permanent secretaries (the "College of Cardinals") he will be in the company of John Vereker, the Keele graduate who is permanent secretary at the Overseas Defence Administration.

Mottram, 48, was the star prosecution witness at the trial of Clive Ponting over leaked documents on the torpedoing of the Argentine cruiser, General Belgrano, during the Falklands war. As private secretary to the then defence minister, Michael Heseltine, Mottram gave evidence in camera on a top-secret document, known as the "Crown Jewels", which dealt with the events leading up to the sinking.

Mottram, permanent secretary at the Office of Public Service and Science for the past two years, has been looking after William Waldegrave's civil service reforms. Tipped for the top defence job for some years, he may yet be a candidate to succeed Oxford-educated Sir Robin Butler when the latter retires as cabinet secretary and head of the civil service in 1998.

Downpour

■ It would seem sensible for companies to choose appropriate muzak to pipe over their telephone line to entertain or otherwise those callers left on hold. Walt Disney pumps out theme music from its films. British Airways trills arias from its television commercials. But the prize for the most apposite piece of music must surely go to the embattled French bank, Crédit Lyonnais. Its current choice is Gene Kelly's classic, *Singing in the Rain*.

Tactical retreat

■ Sounds as if one very important person is going to be missing from today's junkets following the loan-signing in Warsaw of Poland's debt reduction deal – and it is not Citibank's Bill Rhodes. Polish president Lech Walesa has cried off, citing a previous engagement in Poznan where he is due to fire the closing shot in the first ever Nato manoeuvres on Polish soil.

Some western bankers are miffed since the president's diary seems remarkably empty today. He's not due on parade in Poznan till tomorrow. Could it be that Walesa is playing safe and distancing himself from a deal which could turn out to be a mite too generous to the banks? Much more likely is that he is desperate to get Poland into Nato and doesn't want to do anything to upset the Nato high command.

Bankers are much more expendable.

'I'd escape but there are too many people out there already'

Spoilsport

■ So Terry Maher has a sense of humour after all.

With the deposed Pentos founder's book *Against My Better Judgment* offering an "insider's view of the City", certain luminaries were looking forward to running the tome to earth in their local bookstore and consulting the index for references to themselves. Maher, in cahoots with his publishers, has spoilt the fun by omitting an index.

Forty years on

■ There may be precious few new ideas in British politics, but it sometimes seems as if there is an even bigger shortage of political slogans.

Take the late Iain Macleod who, when he was minister of labour, called on his Conservative party to face up to the challenge of automation and other developments with a pamphlet entitled *Change is our ally*. Now Paddy Ashdown, the leader of the Liberal Democrats, has produced a paper setting out his agenda for taking politics beyond the three-party system and into the 21st century.

Its title? *Making change our ally.*

Promise to pay

■ The once mighty greenback, all too frequently discovered these days to be carrying traces of cocaine, was devalued several more cents this week with the jailing of one of its former signatories.

The buck has stopped inside the clink for Catalina Villalpando, who ran the US mint during most of the Bush administration.

Having under-reported taxable income by $160,000, misled government officials in the confirmation process, and obstructed a federal investigation in order to secure her job in the first place, she now has four months inside and 200 hours' community service to which to look forward.

Villalpando, whose notoriety until now had been confined to her application of the epithet "skirt-chaser" to Bill Clinton for the purposes of the 1992 Republican party conference, admitted that she was "no longer the role model".

No wonder the dollar in your pocket fetches less than Y100.

Tory fare

■ Baroness Thatcher may not be quite so ubiquitous as she once was, but her supporters are clearly planning a nostalgic gathering at this year's annual conference in Bournemouth.

There at the top of the list of approved restaurants published in the official Conservative guide is Mrs T's Supper Room, which promises a six-course feast in a Victorian atmosphere.

If that palls, the faithful can go to Glorianna's or the Old England, also recommended. No doubt Ken Clarke and Michael Heseltine will be at the European Restaurant, which, paradoxically, offers English food. John Major will probably be at Clown's.

FINANCIAL TIMES
Thursday September 15 1994

Concern over Adams' plan for US propaganda tour

UK edges closer to lifting Sinn Féin broadcast ban

By David Owen, Jimmy Burns and John Murray Brown

The abolition of Britain's six-year-old broadcasting ban on Sinn Féin may come closer today amid signs that the government is edging nearer to accepting that the IRA ceasefire is permanent.

With London under pressure to respond more positively to last month's IRA announcement, Sir Patrick Mayhew, tha Northern Ireland secretary, is expected to use today's first full cabinet meeting for two months to argue that the ban no longer serves any useful purpose.

Conservative rightwingers, however, remain convinced that an early lifting of the ban would be unwise, any move may be delayed until after next month's Conservative party conference in Bournemouth. The sixth anniversary of the ban's imposition will fall on October 19.

Meanwhile, Mr Gerry Adams, the Sinn Féin president, appears ready to conduct a major propaganda tour of the US given that his visa is almost certain to be granted. Mr Adams is pushing ahead with plans to visit at least 10 US cities, including Washington and New York, though he has not yet submitted a visa application.

A draft programme of the trip is understood to include meetings with Senator Edward Kennedy, a leading Democrat, Mr Tom Foley, Speaker of the House of Representatives, and officials of the National Security Council who advise President Bill Clinton on Northern Ireland policy. There are also plans for Mr Adams to address high profile forums such as the National Press Club and the Council for Foreign Affairs.

Although resigned to the visit, London would be dismayed if Mr Adams succeeded in meeting Clinton administration officials. Senior Conservatives are also anxious that the trip should not coincide with the Tory conference, which begins on October 11.

US, UK and Irish officials are thought to be in agreement that Mr Adams' visit should not precede that of other senior political figures who are due in Washington in the next two weeks. This suggests the visit could possibly coincide with the Labour conference, beginning on October 3. Mr Adams is anxious to have his US trip well under way before congressional elections on October 7.

As Dublin yesterday welcomed a statement supporting the peace process from IRA prisoners in Belfast's Maze prison, Mr Major indicated the IRA had still not done enough to convince the government that its cessation of violence was for good.

Speaking at Chequers, he hoped the IRA had given up the "intolerable outrages" it had conducted over 25 years but added: "They have not expressly said so." He said he hoped the government could build on the IRA ceasefire but would do so "in a way which will be secure."

Mr Major's caution was strongly endorsed by Mr Andrew Hunter, the influential chairman of the Conservative backbench Northern Ireland committee, who said Dublin's "euphoria" was "dangerous and misguided."

US group isolates breast cancer gene

By Clive Cookson, Science Editor, in London

An American research team has won the race to one of science's most sought-after goals – isolating the gene that causes an inherited form of breast cancer.

Dr Mark Scolnick and colleagues at the University of Utah have found the gene, called BRCA1, which is responsible for an estimated 3 per cent to 5 per cent of breast cancers, ahead of a dozen other research groups in the US and Europe.

The discovery was announced last night by the US research journal Science, which will publish details next month.

At the same time, Science said an international team led by Dr Douglas Eaton of the Institute of Cancer Research in the UK was well down the road to isolating a second gene, BRCA2, which probably causes another 3 per cent-5 per cent of breast cancers.

Finding the two genes will enable scientists to develop tests that women with a family history of breast cancer can take to discover whether they are at risk of developing an inherited form of the disease. Prototype tests for BRCA1 may be available within two years.

Women who know that they carry the genes will be able to monitor their breasts more closely for early signs of cancer – or even have a mastectomy as a precaution.

Those whose tests are negative, despite a family history, will be reassured.

But scientists say the discoveries will eventually also help the 90 per cent of breast cancer patients whose disease is not inherited. Random mutations in the same genes are probably involved there too – and understanding the chemical pathway by which BRCA1 and BRCA2 trigger cancer will help researchers to develop drugs to treat the disease.

"These are very exciting stepping stones on the path to more effective treatment and diagnosis of breast cancer," said Dr Bruce Ponder, a UK Cancer Research Campaign scientist working at Cambridge University on cancer genes.

The search for breast cancer genes has caught the scientific and popular imagination in the US particularly.

Unilever detergent criticised by Dutch consumer group

By Roderick Oram, Consumer Industries Editor

Unilever's new laundry detergent was criticised yesterday by the Dutch consumers' association, which concluded after tests that "the damage" the detergent did to some clothes was "too great".

Unilever rejected the report, which is likely to intensify the 'Soap War' that has been raging between the Anglo-Dutch group and its arch-rival Procter and Gamble since Unilever launched the Power detergents earlier this summer. P&G is highly critical of the alleged effect of the detergents on clothes.

Omo Power, which is sold as Persil Power in the UK, was as effective at washing clothes "as any other good washing powder and bleach," the Dutch association said. But some fabrics, particularly coloured cotton, were damaged in the test.

"The data is partial and being used in a very emotive way," a Unilever spokesman said. It criticised the association for making "sweeping statements" comparing Omo Power to other detergents when it had run tests against only one other un-named detergent.

It said the association had also failed to judge the damage to clothes and the alleged lessening of tensile strength, which enables a garment to resume its shape after being stretched, against textile industry standards.

It is understood that Unilever has seen the full data from the Dutch association's tests and found them comparable to data from six independent test institutes it commissioned to study the detergent.

The six institutes found that the effect the detergent had on clothes was acceptable and fell within textile industry standards.

In the UK, the Consumers' Association is conducting its own tests on Persil Power but the results will not be ready before mid-December. Marks & Spencer, which is also conducting tests, said it did not know when they would be completed. "We continue to monitor the level of returned clothes but there's nothing that causes immediate concern," a spokesman said.

Unilever said the impact of the Dutch report would be limited and that sales of all products in the Omo brand had not been harmed by the controversy.

Mr Erik Muller, a spokesman for Albert Heijn, the largest Dutch supermarket chain, said yesterday: "We see no reason for us to take it out of our shops. We will wait to see what the consumers do." P&G welcomed the report. "This cannot come as any surprise in light of the evidence that had already emerged," said Mr David Veitch, P&G's European vice-president of communications.

THE LEX COLUMN

Competition calls

The expected approval of a new form of competition between the UK and the US will shake up the international telephone cartel. With operating margins on transatlantic calls thought to be over 50 per cent, the scope for price cutting is huge. But not all operators will fare equally badly. BT could even emerge a winner. It is required by its regulator to cut its average price level anyway. So if international charges did not come down, it would have to cut other rates. Mercury, though, looks a big loser. It is heavily dependent on international calls for profits.

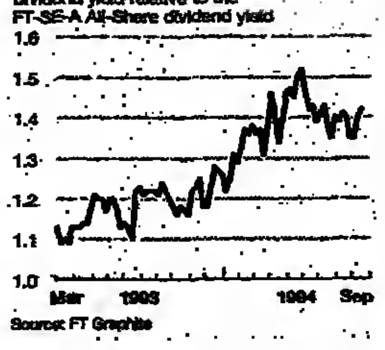
The impact will also be felt in continental Europe. Operators will have to cut transatlantic prices or see traffic diverted through the UK. Of the quoted companies, Italy's STET and Spain's Telefonica are tha most vulnerable. Not only are their international charges particularly high; approximately 10 per cent of their traffic is with the US. Holland's KPN and Tele Danmark should not suffer as much. Their charges are relatively low and only about 5 per cent of their traffic is with the US.

As the old cartel arrangements crumble, the competing global alliances formed over the past year will come to the fore. Increasing amounts of traffic will be channelled over their proprietary networks. Again, BT looks well placed. Its alliance with MCI gives it a presence on both shores of the Atlantic. AT&T's position is weaker as it so far has no UK presence, while the alliance between Deutsche Telekom, France Télécom and Sprint is barely off the drawing board. Non-aligned European operators will now be under increased pressure to join one of the main alliances. Otherwise, they face losing some of their most lucrative traffic.

FT-SE Index: 3079.8 (-41.6)

Prudential

Dividend yield relative to the FT-SE-A All-Share dividend yield



Source: FT Graphite

UK economy

Yesterday's UK inflation and unemployment data prompted the initial conclusion that Monday's base rate rise was not a pre-emptive strike after all. A closer look, though, reveals scant evidence that inflation is already taking off. The year-on-year rise in consumer prices is still lower than it was in June. The increase in average manufacturing earnings is decelerating and unit labour costs are falling. Retailers may be trying again to move away from discounting, but against the background of softening consumer confidence it is difficult to be sure that higher prices of clothing and footwear will stick.

The markets thus have no obvious ground to conclude that a first base rate rise need be quickly followed by a second. That is small consolation for the equity market which was looking over-valued after its summer rally. It must now adjust to a more modest earnings prospect for 1995, because higher base rates will ensure a slowdown in demand if the recovery does not falter of its own accord. Where yesterday's reaction does look overdone, at least from a purely domestic perspective, is in the gilts market.

The snag is that gilts remain coupled to the international trend. Yesterday's fall of more than one point at the long end was also a reflection of fresh worries about the interest rate trend in Germany. In this uncertain climate, there is not much scope for the yield gap between the two markets to narrow much beyond its present 150 basis points. But it will compound the problem for equities if gilts slip further as a result of developments on the continent.

Prudential

Prudential Corporation's figures contained a number of bright spots: the group delivered an increase in profits from Jackson National Life, the US subsidiary which had threatened to become a headache, and there was a bounce in the contribution from non-life insurance. Coupled with a robust dividend increase, this was enough to counter the drop in new business and profits in the core UK life business, but not to eliminate doubts about the group's position in the medium term.

Despite a battery of diversification initiatives, there is no avoiding the Prudential's dependence on the domestic market, which is facing a plethora of problems. Bad publicity is inevitable as the deadline for the new commission disclosure regime approaches and the Securities and Investment Board puts the finishing touches to compensation plans for poor pension transfer advice. The new disclosure rules will only exacerbate the lack of underlying growth in the life insurance market. Margins in traditional life products are being squeezed, leaving companies such as the Pru to chase lower margin investment business such as Peps.

The shares, driven down by these uncertainties during the course of the year, now yield a third more than the market average. This provides support, but only so long as investors do not start to question the Pru's capacity to generate above average dividend increases in the medium term.

Forte

Air France's decision to sell Forte its Méridien stake was a welcome victory for minority shareholders. Whether it sets a precedent for other French companies is more doubtful. If Air France's board had picked Accor's lower bid, it would have been against the advice of the European Commission and Méridien's own management. Even so, it was a close call.

As for Forte, this deal was strategically far more important than the Savoy imbroglio. Before Méridien, Forte only really fulfilled its slogan "Host to the world" in the UK. It is now reinforcing its international presence with Méridien's 54 hotels in 34 countries. The deal also allows Forte to move upmarket without investing substantial sums in bricks and mortar. That reduces Forte's relative exposure to the property roller-coaster.

Although the acquisition makes strategic sense, Forte could be criticised for overpaying. It would have been easy for the group to succumb to that temptation after being outbid for Ciga. The trouble for outsiders is that Méridien's inner workings remain obscure. Forte estimates the deal will dilute earnings by about 5 percentage points for the first year and be neutral after that. Nevertheless, the prospect of an eventual sale of its stake in Gardner Merchant means Forte can afford Méridien without recourse to a rights issue. If the deal allows Forte to escape from the international hoteliers' second division, the sum of £230m will be a small price to pay.

Phone ruling spells savings

Cootinned from Page 1

there was "some room" for splitting the difference between leased-line rates and existing prices, but said that if, as expected, it gains the oecessary regulatory consents it would itself join the resale market through its joint venture with MCI, the second-largest US carrier.

Mr Thomas Luciano, AT&T's director of international settlements, said: "The industry is beginning to pull apart from a system of co-operation between carriers, which will open things up in a new way."

The new regime will put pressure on other European operators to agree to sharp reductions in ioternational call prices. Although the US-UK regulators are likely to prohibit using the UK as s transit route to mainland Europe, international operators may find ways of manipulating the arrangements.

Forte buys Méridien hotels

Continued from Page 1

approval of a FFr20bn capital injection from the French government.

According to Air France, Forte has committed itself to maintaining the standard of the hotels in the Meridien chain, assuring its development and keeping its headquarters in Paris.

Air France's decision represents a blow for Accor, which was seeking to add Meridien's 58 four-star hotels to its existing operations. These include the Sofitel, Mercure and Formule 1 chains.

Accor described Forte's offer for Meridien as unreasonably high. "In the interests of shareholders, Accor has declined to match it," the French company said. Last year, the Méridien group fell into the red, recording a net deficit of FFr29.7m after suffering from difficult market conditions.

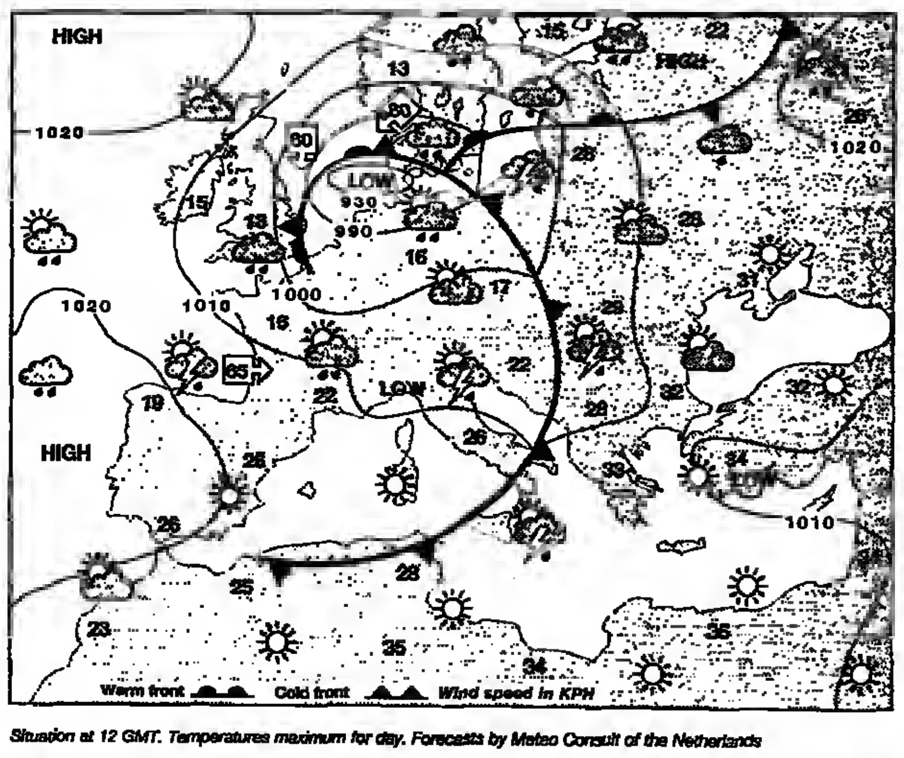
FT WEATHER GUIDE

Europe today

Gale force winds are expected along the south-east coast of England, over the North Sea and in southern Scandinavia, owing to an area of low pressure over the North Sea. This low will also give significant rain in the Benelux, north-west France, central and southern Scandinavia and the Baltic states. Thunder showers will precede a front over the Alps, northern and southern Italy and the western Balkans. Poland and western Russia will have thunder. Showers will linger along the northern coast of Spain and eastern France. Several breaks in the cloud will appear in the Ukraine and northern Scandinavia. The Mediterranean region will stay sunny.

Five-day forecast

Friday will still see gale force winds over the North Sea. The steady rain will become less extensive as it moves to northern Scandinavia and the Baltic states. Tha wind over the North Sea will slowly decrease by the end of the weekend. Thunder showers will develop again over the Alps. The Mediterranean will continue sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	29
Algiers	sun	27
Amsterdam	thund	12
Athens	sun	32
Atlanta	fair	30
B. Aires	cloudy	21
B.ham	drzzl	13
Bangkok	shower	34
Barcelona	sun	23
Beijing	fair	26
Belfast	cloudy	15
Belgrade	shower	29
Berlin	shower	17
Bermuda	shower	29
Bogota	cloudy	19
Bombay	fair	31
Brussels	thund	13
Budapest	drzzl	23
C.hagen	rain	15
Cairo	sun	35
Cape Town	sun	22
Caracas	cloudy	31
Cardiff	cloudy	14
Casablanca	sun	24
Chicago	fair	27
Cologne	rain	16
Dakar	fair	31
Dallas	fair	33
Delhi	fair	28
Dubai	sun	39
Dublin	shower	14
Dubrovnik	thund	27
Edinburgh	fair	13
Faro	sun	24
Frankfurt	rain	16
Geneva	shower	14
Gibraltar	sun	28
Glasgow	fair	15
Hamburg	rain	15
Helsinki	shower	15
Hong Kong	cloudy	29
Honolulu	fair	32
Istanbul	sun	28
Jakarta	fair	32
Jersey	rain	14
Karachi	fair	32
Kuwait	sun	42
L. Angeles	fair	25
Las Palmas	fair	27
Lima	cloudy	15
Lisbon	fair	22
London	drzzl	14
Lux.bourg	rain	13
Lyon	thund	15
Madeira	sun	24
Madrid	sun	20
Majorca	sun	24
Malta	fair	30
Manchester	rain	12
Manila	cloudy	31
Melbourne	cloudy	16
Mexico City	thund	19
Miami	thund	31
Milan	thund	21
Montreal	shower	20
Moscow	sun	22
Munich	thund	15
Nairobi	fair	24
Naples	cloudy	24
Nassau	thund	32
New York	shower	24
Nice	shower	23
Nicosia	sun	37
Oslo	rain	12
Paris	rain	18
Perth	fair	18
Prague	cloudy	15
Rangoon	cloudy	30
Reykjavik	fair	8
Rio	fair	26
Rome	shower	26
S. Frsco	fair	23
Seoul	sun	26
Singapore	cloudy	32
Stockholm	rain	13
Strasbourg	drzzl	16
Sydney	fair	19
Tangier	sun	23
Tel Aviv	sun	34
Tokyo	rain	28
Toronto	cloudy	21
Vancouver	cloudy	18
Venice	thund	22
Vienna	shower	20
Warsaw	shower	26
Washington	fair	27
Wellington	fair	11
Winnipeg	fair	23
Zurich	thund	14

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday September 15 1994

IN BRIEF

BK Vision attacks banks' profit fall

BK Vision, the investment company controlled by Mr Martin Ebner's BZ banking group, has strongly criticised the first-half profit slump of Switzerland's large banks. Page 17

EdF takes stake in Swedish generator
Electricité de France, the French state utility, has negotiated the purchase of a 5.5 per cent stake in Sydkraft, the second largest Swedish electricity producer. Page 16

Volvo welcomes new break-up deal
Volvo, the Swedish motor manufacturer, said yesterday it had won a much better divorce deal from Renault than it initially negotiated. Page 16

PTC offering attracts $1.4bn
Bids from international investors for a placing of 5m vouchers in the state-run Pakistan Telecommunication Corp (PTC) reached $1.4bn yesterday, joint global co-ordinator Jardine Fleming said. Page 18

Jardine motors arm moves ahead
Jardine International Motors Holdings, the Hong Kong based car distribution arm of the Jardine Group, yesterday reported a 6 per cent increase in net profits for the six months to June. Page 18

Cott warns on margins despite gain
Cott Corporation, the fast-growing Canadian supplier of private-label beverages, lifted second-quarter earnings by 50 per cent, but confirmed that intensifying competition was eroding margins in some important markets. Page 17

BZW move brings DTB and Matif closer
The French and German futures and options exchanges came one step closer yesterday when a UK bank announced it was ready to trade interest rate futures across a link jointly developed by the two markets. Page 19

India takes on big wheat producers
The Indian government's decision last week to abolish the minimum export price for durum wheat is expected to boost exports and allow Indian wheat farmers to compete with big producers such as the US, Canada and Australia. Page 26

Farmers seek to reduce set-aside
The European farmers' organisation, Copa, has called for a reduction in the amount of cereals and oilseed land set aside or left to lie fallow in the 1994-95 growing season under a European Union scheme. Page 26

AB Ports advances after restructuring
Associated British Ports continued to benefit from the radical restructuring of its port operations, with taxable profits rising 29 per cent on a 7 per cent increase in port revenues. Page 21

Polypipe maintains growth
Polypipe, the UK manufacturer of plastic pipes and fittings announced results which continue its unbroken run of successive annual profit increases since its 1985 flotation. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko Prf	845	+	15
Falls			
Douglas	501	-	18
Hochtief	348	-	12
Mannesmann	405	-	14.7
Porsche	705	-	24
Veba	504.3	-	11.7

NEW YORK ($)

Rises			
Am Express	31⅛	+	¾
CPC	34⅝	+	5
Cyprus Amax	10⅞	+	1⅛
Gen Elec	50⅛	+	⅛
Quaker Oats	81⅛	+	2⅞
Falls			
Disney	41⅞	-	½

New York prices at 12.30.

PARIS (FFr)

Rises			
Bancaire Cie	487.5	+	34.2
Fonc Lyonnaise	688	+	28
Falls			
Alcatel Als	558	-	14
Danone	781	-	11
Geophysique	458	-	28.9
Peugeot	796	-	29

TOKYO (Yen)

Rises			
Hino Motor	958	+	21
Falls			
Brother	654	-	28
Hitachi	964	-	15
Magara Const	905	-	85
Sohna	1430	-	180
Tasmura	1050	-	120

LONDON (Pence)

Rises			
Assoc Brit Ports	272	+	9
CAMAS	76	+	3
Conning (W)	120	+	10
Carlton Comm	875	+	19
Gent (SR)	75	+	6
Lon Forfaiting	175	+	11
Polypipe	144	+	5
Falls			
Argos	31	-	2
Burnham	215	-	39
Devro Intl	236	-	19
Eng China Clays	379	-	10
Fosroc	123	-	12
Lambert Howarth	143	-	7
Meyer Intl	383½	-	15½
Roskel	86	-	6
Stat-Plus	204	-	8
Wassall	302	-	13
Wolseley	731	-	18

NordLB buys 10% stake in Berlin bank

By Judy Dempsey in Berlin

Norddeutsche Landesbank-Girozentrale will pay DM1bn ($645m) for a 10 per cent stake in Bankgesellschaft Berlin in one of the largest German banking deals in recent years.

BGB yesterday confirmed that the state of Berlin will sell a 10 per cent holding – part of its 67.7 per cent controlling stake – to Hanover-based NordLB. The links arising from the deal will also allow BGB to expand its presence in northern and north eastern Germany.

"This is a strategic decision in which BGB will gain access to more retail banking in the north of Germany, while NordLB will gain important access to the German capital, particularly as this part of Germany begins to expand, and to our international markets," BGB said.

NordLB is one of Germany's largest public sector regional banks. Last year its operating profits, after risk provisions, totalled DM400.4m, a sharp rise over 1992, in which operating profits totalled DM145.9m.

The deal, which could be approved as early as September 22 when NordLB's supervisory board meets, coincides with a period of structural change in Berlin's banking establishment. BGB was created as a holding and investment banking company in January following the merger of three banking institutions - Berliner Bank, Landesbank Berlin, which owns the savings banks, and Berliner Hypotheken-und Pfandbriefbank, or Berlin Hyp, a property financing institution.

The merger brought together for the first time in German banking the private and public sectors. Apart from Berlin's 67.7 per cent stake, 10 per cent is held by Gothaer Insurance Group and the remaining 22.3 per cent by minority shareholders.

BGB's total equity capital is DM7.8bn and its assets total DM220bn. In its first interim results, it reported consolidated operating profits of DM734m. After taking into account risk provisions totalling DM326m, operating profits came out at DM408m.

Bank officials said the state was not, as yet, planning to relinquish its majority status. BGB may retain the right to buy back half of NordLB's 10 per cent stake on condition that those shares were sold on to an international bank. "It is too early to say exactly what all the conditions are. But we are close to a mutually accepted arrangement," BGB said.

KLM ups its stake to 25 % in Northwest Airlines

By Nikki Tait in Sydney and Richard Tomkins in New York

KLM Royal Dutch Airlines yesterday agreed to increase its stake in Northwest Airlines, the fourth largest US carrier, from 20 per cent to 25 per cent by buying a 5 per cent stake in the airline held by Foster's Brewing, the Australian beer group.

The A$242m (US$180m) share purchase will take KLM's holding in Northwest to the maximum level allowed. Under US federal law, foreign companies are not permitted to own more than 25 per cent of the voting stock of US airlines.

Foster's decision to sell its stake is in line with its policy of disposing of non-core assets to reduce debts. The company's investment in Northwest represented the largest remaining non-core asset in its portfolio.

KLM said it had taken the opportunity to buy the stake because the move demonstrated its commitment to its alliance with Northwest. The two carriers' combined operations link 170 North American cities with more than 85 cities in Europe, Africa and the Middle East.

Northwest welcomed the move, saying it reflected KLM's "strong belief in Northwest's prospects for the future".

KLM's move comes at a time when other cross-border airline alliances, such as that between British Airways and USAir, have proved troublesome. But KLM appears to have struck relatively lucky with its US investment: Northwest has achieved a return to profitability after coming close to bankruptcy last year.

Foster's acquired its stake in Northwest in 1989 when the US carrier was the subject of an US$3.65bn leveraged buy-out by an investment consortium put together by Mr Alfred Checchi, a former Disney executive, and his partner Mr Gary Wilson.

At that stage, Foster's – in the form of its predecessor company, Elders IXL – was run by Mr John Elliott, the Melbourne-based businessman. Through its finance arm, Elders agreed to invest in the Checchi consortium, and was given board representation at Northwest when the bid was successful. Asked about Elders' involvement at the time, Mr Checchi said that he and Mr Elliott had become "close personal friends".

KLM was also a member of the Checchi investment group.

Foster's said it would make an after-tax profit of around A$95m on the share sale, after costs. It had not written down the value of its Northwest holding, despite the airline's serious financial problems in the early-1990s.

Forte's control of French chain propels it to new markets, writes Michael Skapinker

Post-Meridien time begins

Throughout this week, the French and UK press confidently predicted that Forte had won control of Meridien, the international hotel chain owned by Air France.

The only doubter was Forte itself. The UK hotel and restaurants group's caution partly reflected its fear of the formidable lobbying power of Accor, its French competitor and rival bidder for Meridien. Earlier this year, Accor delayed a decision by Air France to sell the chain to Forte, arguing that it should remain in French hands.

Forte also did not want to be seen as having failed again. Earlier this year it failed to win Ciga, the Italian luxury hotel group, which went to ITT Sheraton of the US.

This week, Forte's 13-year campaign to take full control of Savoy Hotel, the UK luxury hotel group, was thwarted by the Savoy's two-tier share structure. Mr Rocco Forte, Forte chairman, did, however, win the right to be represented on a three-member chairman's committee.

By contrast, yesterday's announcement that Forte is to acquire Meridien is a comprehensive victory. By taking over Meridien's 54 hotels, Forte has doubled its international portfolio of first-class establishments.

More important, it has taken Forte into the Asia and Pacific regions, the world's fastest-growing business and tourist markets, where Forte currently has no hotels. Hotels in Tokyo, Singapore, Jakarta, Bangkok, New Delhi and Melbourne now join Forte's portfolio and other important markets, such as North America and the Middle East, are strengthened.

Business travellers who use a hotel chain in one part of the world increasingly want to use it in another. Winning Meridien was crucial if Forte was to compete effectively in the business market.

Getting overall control of the Savoy group might have been more emotionally satisfying for Forte, but from a commercial point of view, the struggle for Meridien was more important.

Forte says the purchase might result in an earnings dilution of 5 per cent in the first year. Mr Bruce Jones, an analyst at Smith New Court said, however, that he thought it could be less, given the increase in bookings that should result from a larger chain.

Having won his struggle, Mr Forte has three questions to address. How will he pay for Meridien, how will he run it and does his group now have the right balance of businesses?

The initial cost will be FFr1.09bn ($206m) for Air France's 57 per cent stake in Meridien. Forte is required to make an offer to minority shareholders. If they all accept the total price would rise to FFr1.9bn.

Forte has three options in funding the purchase. The first is to use existing borrowing facilities. Forte has committed but unused facilities of £500m ($775m).

A second option is arranging bridging finance until Forte sells its 25 per cent stakes in Gardner Merchant, the contract catering group, and Alpha Airports, the airline catering company. Both disposals are likely to take place during 1995.

The third option is a rights issue. Mr Forte said: "It's an obvious possibility, but it's not necessarily the way we will go."

Successfully managing Meridien will not be easy. Last year, it recorded a net deficit of FFr29.7m. Mr Forte says the chain has suffered from the uncertainty generated by its sale and from its previous status as a nationalised industry. It should now be able to move forward with greater confidence, he says.

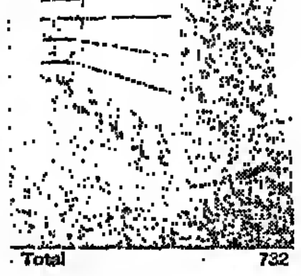
Forte will also have to persuade hotels to stay in the chain. Of the 54 acquired, 44 have other owners and are managed by Meridien under management contract. Mr Forte accepted that some contracts might be lost. If they are, the price Forte pays will be reduced. But he added: "We're fairly bullish about our position with the owners. One of the reasons we managed to offer more than Accor was that some owners had indicated they would leave if Accor won."

Some have criticised Mr Forte for selling the contract and airline catering businesses. Contract catering in particular is seen as a recession-resistant industry.

Mr Forte is adamant that his group was right to concentrate on building up its hotel and restaurant business. "It was the best thing we've ever done. We're now concentrating on fewer businesses. In a service business like ours, it's important for the people at the top to be close to the action."

Hotels	Owned Hotels	Owned Rooms	Managed Hotels	Managed Rooms	Franchise Hotels	Franchise Rooms	Joint venture Hotels	Joint venture Rooms	Total Hotels	Total Rooms
UK properties										
Exclusive	3	758							3	758
Grand	15	1,966	1	186					16	2,152
Crest	30	9,048							30	9,048
Posthouse	61	7,085							61	7,085
Heritage	92	4,250	1	35					93	4,285
World of Forte	32	2,638							32	2,638
Travelodge	100	3,698							100	3,698
Welcome lodges	2	195							2	195
Distinctive Restaurant Hotels	5	70							5	70
Meridien	1	263							1	263
	341	29,971	2	221	0	0	0	0	343	30,192
Overseas properties										
Exclusive	9	1,573							9	1,573
Grand	9	1,710	5	1,637					14	3,347
Crest	8	1,218							6	1,218
Heritage	2	116							2	116
Resorts	12	2,494	1	350					13	2,844
AFI	17	2,074	1	160					18	2,234
Travelodge Ireland	2	80							2	80
Sogerba	5	284							5	284
Meridien	6		34						40	13,463
	68	9,547	41	2,147	0	0	0	0	109	25,157
US properties										
Exclusive	3	701	1	235					4	936
Travelodge	30	4,466	1	306	254	19,962	89	5,093	374	29,827
Plaza of the Americas	1	399					13	509	1	399
Non Travelodge							9	496	13	509
Thriftlodge	7	402			11	589			27	1,487
Latin America					6	589			6	589
Mexico					2	121			2	121
Relax					24	3,872			24	3,872
Meridien	3		10						13	4,510
	44	5,968	12	541	297	25,113	111	6,098	464	42,230
Total hotel stock	453	45,223	55	2,909	297	25,113	111	6,098	916	97,579

Restaurants	
UK properties	**Units**
Little Chef	329
Happy Eater	83
Café Royal	1
Welcome Break Services	26
Units within service areas	123
Others	121
Overseas properties	
Ireland	2
Germany	3
France	42
Spain	2
Total	732



T&N obtains option to control Kolbenschmidt

By Kevin Done in London

T&N, the British automotive components and engineering group, last night agreed to acquire an option to buy a majority stake in Kolbenschmidt, a leading German motor components producer. The complex deal, which would give T&N a dominant position in the German market for some key engine components, must be approved by the German cartel authorities.

Metallgesellschaft, the troubled German metals, mining and engineering group, is to sell its 47 per cent holding in Kolbenschmidt. Magna International, the Canadian automotive components group, is to reduce its stake in Kolbenschmidt from 12.5 to 2.5 per cent. In an initial step, Commerzbank is to take over a 24.99 per cent holding in Kolbenschmidt, and German institutional investors will take over 32 per cent. Metallgesellschaft said the deal meant its disposal programme was almost complete.

T&N has acquired an option on the Commerzbank-held shares and on a stake of 25.01 per cent to be held by the institutions. The option must be exercised by March 31, 1995. T&N could also take over the remaining 2.5 per cent still held by Magna, giving it an option to acquire a total stake of 52.5 per cent.

Last year T&N bought German-based Goetze, Europe's largest producer in Europe of piston rings. Kolbenschmidt, with sales of DM1.59bn ($1.03bn) in 1992-93, is a leading maker of engine pistons and blocks, roller bearings and pumps.

Deputy chief to leave BZW

By John Gapper, Banking Editor, in London

Barclays de Zoete Wedd, the investment banking arm of Barclays, Britain's largest bank, yesterday signalled a move towards a new generation of management with an announcement to staff that Mr John Spencer, its 50-year-old deputy chief executive, is to leave at the end of the year.

He is to be succeeded as deputy executive to BZW's markets division by Mr Sam Marrone, an American who is currently chief executive of BZW Securities in New York.

The move follows a request from Mr Martin Taylor, Barclays' chief executive, for BZW to establish a successor to Mr David Band, BZW's chief executive since 1988. Although Mr Band, who is 51, has no immediate plans to move, it is thought that he may do so in two or three years.

Mr Band could then become chairman of BZW, a post currently held by Sir Peter Middleton, who is also deputy chairman of Barclays. There was speculation over whether Sir Peter would remain at the bank after Mr Taylor was appointed last year, but Mr Taylor is believed to regard him highly.

BZW said Mr Spencer had decided to leave of his own accord and that the parting was "entirely amicable". He has worked at Barclays for 24 years, recently bringing the bank's foreign exchange and money markets operations into BZW, and developing new risk management systems for trading.

The move leaves no clear successor to Mr Band, but the question could be resolved with the appointment of a new deputy chief executive later this year.

BZW told staff that Mr Marrone, a 51-year-old former US marine, is to move to London at the end of the year. As well as heading the markets division, he will share responsibility for the debt capital markets operation with Mr Graham Pimlott.

Mr Dennis Rooke, deputy chief executive of the markets division and head of global money markets and foreign exchange, will take on liaison responsibility for the Middle East. Mr Ben Crigsby, joint deputy chief executive of the markets division, will succeed Mr Marrone in New York.

Some directors had regarded Mr John Varley, formerly deputy chief executive of the equities division, as a candidate to succeed Mr Band in the longer term. But Mr Varley left BZW earlier this year for personal reasons.

Mr Pimlott, to whom Mr Taylor has given responsibility for large corporate lending as well as merchant banking would be a candidate to succeed Mr Band.

US pension funds increase overseas investment by 9%

By Norma Cohen in London

US pension funds have further expanded their investments in ooo-domestic securities in the first half of 1994, allocatiog $22bn to mandates to be invested outside the US, a rise of 9 per cent from the end of 1993.

InterSec Research Corporation, a US-based investment consulting firm, said that 80 per cent of the cash was invested in non-US equities, with the remainder in fixed interest.

Cash flow into equities in the first half of 1994 totalled $17bn, about $5bo more than in the same period a year ago. However, it was $5hn below the cash flow which poured into foreign equities in the second half of 1993.

The move ahroad is part of a trend which became visible by the end of 1993 when it was calculated that the value of US pension funds' assets abroad rose hy 69 per cent to $260bo from $156bn et the end of 1992. As of June 1994, US pension fund assets invested abroad totalled $284bn.

InterSec calculated that about 7 per cent of US pension assets were invested abroad at the end of last year, compared with 5 per cent a year earlier.

US pensioo funds historically have been reluctant to invest outside the country. Five years ago, only 3 per cent of their assets were non-US.

Of the funds invested outside the US in 1994, $20bn represents net new cash allocated to the sector while only $2bo represeots an increase in assets under management.

General Electric keen to take holding in Snecma on sell-off

By John Ridding in Paris

General Electric would be keen to invest in Soecma, the Freoch state-owned aero-engine manufacturer in the event of its privatisation, according to the head of the US group's aircraft eogines division.

"We would like to participate in any operation which would support the future of our Freoch partner," Mr Eugene Murphy said. "If there is an opening of Snecma's capital we would like to take part."

The US and French groups work closely in the developmeot and marketing of aircraft engines and are associates in CFM International, a joint engine manufacturing company.

Mr Murphy said that co-operation betweeo the two companies was becoming ever closer but rejected a scenario in which they would divide the production of small and large aircraft engines between them.

Snecma is one of the 21 companies oo the French governmeot's privatisation list. But the group is oot expected to be sold in the near future since the government has already launched plans for the issues of shares in other companies including Renault, the vehicle group, and Assurances Générales de France, the insurer.

ECC plans $100m acquisitions

By Andrew Bolger in London

English China Clays, the UK minerals and chemicals group, said yesterday that it was prepared to make acquisitions worth up to $100m to build up its speciality chemicals business.

Mr Andrew Teare, chief executive, said: "That is the next stage for us – to start an acquisition build-up as well as organic growth."

The group, which in June demerged Camas, its construction materials arm, said it was beginning to see scope for price increases in the buoyant European paper market.

Mr Teare said: "We are seeing our customer base starting to get into a more healthy financial state. We have had to restrain our desire for price increases. We have shared the pain, now we should share the gain."

ECC reported a 30 per ceot increase in pre-tax profits, to £52.2m ($80.9m) from £40.2m in the six months to June 30, including a £21.6m cootrihution from land sales by the group's construction division. Camas reported increased pre-tax profits yesterday, up from £3.4m to £4.9m.

The group's speciality minerals business, ECC International (ECCI), improved operating profits in Europe, but this was offset by declines in the Americas and the Pacific region.

ECCI's sales of European-sourced minerals increased by 6 per cent to £217m, with strong growth in both the paper and ceramics markets, aided by an increase in sales of US-sourced clays in Europe. Operating profit rose by 15 per cent to £22.8m and underlying trading margins improved from 9.7 to 13.1 per cent.

This was achieved in spite of £5.7m of reorganisation costs. Mr Teare said more than 300 jobs had been shed in the first half and 486 since June last year – representing 11 per ceot of the group's workforce.

In ECCI's Americas and Pacific division, sales increased by 3 per cent to $217.1m, but operating profit fell 15 per cent to $23.3m. Margins fell from 13 to 10.7 per cent. It blamed lower pricing to the paper industry, higher distribution costs for Georgia clays and lower plant utilisation for expanded US clay operations.

Details and Camas resnlts, Page 21

EdF takes stake in Swedish generator

By David Buchan in Paris

Electricité de France, the French state utility, has negotiated the purchase of a 5.5 per cent stake in Sydkraft, Sweden's second largest electricity producer.

The deal forms part of EdF's strategy of making foreign acquisitions as well as expanding its sales abroad.

EdF, the world's largest electricity producer, said it would pay SKr1.1bn ($150m) for the stake, which would give it 9 per cent of the voting rights in Sydkraft.

Like EdF, Sydkraft is an integrated generator and distributor of electricity. It serves 1.2m customers in southern Sweden, and last year made a oet profit equivelent to FFr1.5bn ($270m) on turnover worth some FFr8bn, EdF said.

Sydkraft's shareholders are mainly Swedish, in particular the city of Malmo, which led the negotiations with EdF. However, Preussenelektra, a subsidiary of Veba, the German energy conglomerate, already has a larger stake in Sydkraft than the one EdF plans to take.

EdF is stepping up its international acqnisitions. Two years ago it bonght into an Argentine electricity distributor and last year it took stakes in Spanish and Portuguese power geoerating companies.

However, for the moment the French government has no intention of opeoiog the French utility's capital to ontsiders.

Accor wants SGB to increase stake

Accor would like Société Générale de Belgique, a unit of Compagnie de Suez, to boost its stake in the hotel group to become its main shareholder, Mr Paul Dubrule, Accor co-chairman said, Reuter reports from Paris.

"We would like SGB to have this position but if they do not want to increase their stake, we will seek another partner," be said. SGB has 12.4 per cent of Accor.

Divorce sends European automotive groups along divergent routes

Longuet looks to boost Renault sale

By John Ridding in Paris

The planned flotation of shares in Renault should be followed by further reductions in the governmeot's holding in the French automotive group, according to Mr Gérard Longuet, industry minister.

Speaking after the government announced plans to sell a stake of about 28 per cent in the car and truck maker, Mr Longuet told Le Figaro newspaper: "There is no particular reason for the state to remain the majority shareholder in the long term." He described the planned flotatioo as e "step, not a completion".

The political sensitivity of Renault, a former trade union stronghold, prompted the centre-right government of prime minister Mr Edouard Balladur to limit the scale of its issue of Renault shares and retain a stake of at least 51 per cent.

Volvo, the Swedish motor group which holds 20 per cent of Renault's shares, will sell a stake of between 8 and 12 per cent as part of the operation. The move is part of an unravelling of an alliance between the two companies following the collapse of merger plans et the end of last year.

The French industry minister said Renault would need to find industrial partners before full privatisation. Describing a consolidation of the European automotive industry, he said Renault would play e part in the reshaping of the sector. Shareholders in an ultimate privatisation would need to know what they were buying into, he said. Mr Longuet declined, however, to comment on possible partners.

He said the Renault sell-off should take place as quickly as possible, reinforcing speculation that the operation will be launched at the end of October or early November. He indicated that the government had valued the company at between FFr40bn and FFr44bn ($7.5bn-$8.3bn), at the lowar end of analysts' calculations.

Regarding other issues in the government's privatisation programme, Mr Longuet said that Groupe Bull, the computer manufacturer, was well-prepared for sale. He hoped the state would be able to reduce its 76 per cent holding in Bull before presidential elections, scheduled for early 1995.

French economic officials stressed that the partial flotation of Renault did not derail plans to privatise Assurances Générales de France, the insurer which has been competing with the aotomotive group to be the next privatisation issue. Mr Edmond Alphandéry, the economy minister, said plans for the AGF sale were continuing and that the operation would be launched as soon as possible.

Volvo welcomes revised deal

By Hugh Carnegy in Stockholm

Volvo, the Swedish motor manufacturer, said yesterday it had won a much better divorce deal from Renault than it initially negotiated.

The terms contained in the French government's plan for the partial privatisation of Renault announced on Tuesday put a higher price oo Volvo's 20 per cent holding in Renault than previously agreed. They also give Volvo greater freedom over when it sells out.

"This is a good deal for Volvo," the company said. The deal provides for the unwinding of almost all the cross-shareholdings left over following the collapse last December of the two groups' plans to merge. In particular, it allows for Volvo to take back full control of its highly-profitable truck division.

In February, Volvo agreed to swap a 12 per cent stake in the Renault parent for the 45 per cent share in Volvo trucks held by Renault, if the French company was privatised by December. The deal was worth FFr4.5bn ($849m), implying a total valuation of Renault of FFr37.5bn.

This week, the terms were changed to allow Volvo to buy back the Renault share of its truck division for 5 per cent of Renault – valued at FFr2.12bn – plus FFr2.38bn in cash. This implies a total valuation of Renault of FFr42.5bn.

Volvo, which wants eventually to sell out its full 20 per ceot holding, is also obliged to sell a further 3 per cent stake in Renault at whatever privatisation price is offered to institutional investors. However, for the remaining 12 per cent it has considerahle freedom to pick its time and price.

It has the option to sell up to a further 4 per cent at the institutional offer price at the time of privatisation. It has undertaken to retain its residual 8 per cent for a period yet to be stipulated, but which will not be longer than six months after privatisation. Within that period, however, it will be free to sell wheo it feels the price is right.

"It provides us with the opportunity to benefit from e possible valne increase in Renault," said Mr Sören Gyll, the chief executive.

Under the original divorce terms, Volvo has been able to treat the truck division as wholly owned, so benefiting from resurgeot profits now accruing in both the truck and car divisions. However, it was anxious to regain full control as part of its new strategy, adopted after the merger collapse, to concentrate on core car and truck operations.

It has meanwhile hegun a programme to sell SKr40bn of non-core assets.

Prudential rises 16% despite fall in UK life

By Alison Smith in London

Prudential Corporation, the UK's largest life insurer, reported e 16 per cent rise to £280m ($434m) in first-half pre-tax profits, hot profits from the UK life business fell.

The drop in profits from the UK long-term business, to £132m from £139m, reflected a decline in sales of insurance products and the cost to shareholders of financing new unit-linked business.

It took account of provision for potential reductions in bonuses on its with-profits policies which are not set until the year-eod in March. Prudential and other insurers have cut bonus rates in line with lower investment returns in recent years.

Mr Mick Newmarch, chief executive, said he expected UK sales to be subdued in the second half, but said in the longer term the need for savings and protection prodncts should mean substantial demand.

The interim divideod was raised 9 per cent to 4.9p from 4.5p.

Mr Newmarch highlighted two areas of regulatory activity. The first was the report from regulators, due next month, on compensating customers who have suffered from poor advice to leave occupational pension schemes. The second means that from the start of next year life insurers have to volunteer more information to customers about policies and charges.

Prudential's pension transfer sales are being informally investigated by Lautro, the regulator for the life insurance industry. The inquiry began in April, and could last another couple of months. Prudential said it has acted properly on pension transfers and has conducted its sales activities within regulatory rules.

Pre-tax profits from Jackson National Life, Prudential's US subsidiary, rose to £36m from £31m, while total profits were helped by £17m from other international business, compared with a £6m loss last year. This profit included £5m for the sale of Prudential's Irish subsidiary to the Irish Permanent Building Society.

Pre-tax profits from general insurance businesses – UK domestic and motor insurance and Mercantile and General Reinsurance – rose sharply to £53m from £18m.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for trading on 15.09.94 — Final Prices for Trading on 18.08.94

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.06	13.01	15.42
0100	11.06	10.81	13.21
0130	11.06	10.81	13.21
0200	11.06	10.81	13.21
0230	11.06	10.81	13.21
0300	11.06	10.81	13.21
0330	11.06	10.81	13.21
0400	11.06	10.81	13.21
0430	11.06	10.81	13.21
0500	11.06	10.05	10.05
0530	10.40	10.00	10.00
0600	9.96	10.70	13.11
0630	13.30	10.70	13.11
0700	16.72	15.98	18.40
0730	17.21	16.24	18.65
0800	17.25	16.24	18.65
0830	18.01	17.97	20.38
0900	18.06	19.40	21.85
0930	18.13	20.23	22.69
1000	18.19	21.63	24.10
1030	18.20	21.67	24.16
1100	18.21	21.77	24.23
1130	18.25	26.56	29.13
1200	18.30	26.66	29.26
1230	18.26	26.63	29.22
1300	18.15	21.86	24.40
1330	18.03	21.71	24.21
1400	17.75	21.63	24.11
1430	11.28	21.61	24.08
1500	11.28	21.60	24.07
1530	17.25	21.61	24.08
1600	17.28	21.68	24.17
1630	18.05	21.89	24.44
1700	18.08	30.19	32.70
1730	18.05	30.10	32.66
1800	17.26	29.84	32.34
1830	17.70	21.46	23.88
1900	16.72	18.59	21.00
1930	17.22	18.58	20.99
2000	31.38	16.32	18.73
2030	31.38	16.29	18.70
2100	31.37	28.97	31.38
2130	16.31	33.39	35.80
2200	16.72	28.97	31.38
2230	16.19	16.29	18.70
2300	16.21	16.29	18.70
2330	16.16	16.29	18.70
2400	14.31	15.78	18.19

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £14.85/MWh becomes 1.485p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8.30am and 5.30pm Monday to Friday.
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Swiss investment group criticises banks' profit fall

By Ian Rodger in Zurich

BK Visiou, the investment company controlled by Mr Martin Ehner's BZ banking group, has strongly criticised the first-half profit slump of Switzerland's large banks.

In its report to shareholders for the eight months to August 31, BK argues that the volatile own-account securities trading business is not compatible with the traditional and highly profitable services of Swiss banks.

BK ls the largest shareholder in Union Bank of Switzerland (UBS), holding 7 per cent of the capital with a SFr2.1hn ($1.59bn) market value.

UBS, Switzerland's largest bank, last month reported a 28 per cent slide in first-half net income to SFr929m, mainly because its profits from trading, at SFr493m, were SFr1.05bn lower than in the first half of 1993.

Credit Suiase and Swiss Bank Corporation also suffered sharply lower trading profits.

BK, which earlier this year attacked UBS for having too large a board of directora, called on the banks' boards to make clear their risk policies.

Mr Kurt Schiltknecht, a BK director, said there was nothing intrinsically wrong with high earnings volatility, but investors needed to know where they stood.

Mr Schiltknecht said Swiss banks had to be active traders in support of their large fund management businesses for clients.

According to a recent compilation by Euromoney magazine, UBS is the third largest fund manager outside the US, with about $245bn under its control.

However, the question was whether the banks should also be trading in risky securities for their own account.

UBS said yesterday it was not juat a fund manager. It aimed to be a global financial services group, strong in credit and trading sectors as well.

It felt the volatility of its trading profits had stayed within reasonable levels in the past few years, with the exception of the first half of 1993, when the result was extraordinarily high.

BK made a SFr11m profit for the eight-month period, turning round a loss of SFr30.1m auffered in tha first four months.

Administration expenses were virtually unchanged from the first four months. No management fee was payable in the latest four months because of the decline of the market value of the shares in the portfolio.

The company charged SFr30m against earnings for unrealised losses.

BK reported a SFr76.7m net gain on investments in the eight months, compared with a loss of SFr3.9m in the first four months.

Its holding of Zurich Insurance was reduced by 65,500 shares between April and August while its holding in UBS was unchanged with 18.6 per cent of the registered shares and 3.1 per cent of the bearers.

Heinz raises quarterly dividend

By Richard Tomkins in New York

H.J. Heinz, the US food group headed by Mr Tony O'Reilly, the Irish husinessman, lifted its quarterly dividend by 9 per cent to 36 cents and is huying back a further 10m of its shares.

Heinz's stock price has been under a cloud following the company'a poor financial performance in the year ending April 1994.

But on Tuesday Mr O'Reilly told shareholders at the company'a annual meeting that Heinz was "back on track to deliver donble-digit growth in annnal earnings in the 1990s".

Mr O'Reilly said one significant area of growth would be baby foods. According to a Reuters news agency report, ha told journalists after the meeting that Heinz's board had approved the acquisition of another baby food company in Europe.

Earlier this year Heinz bought the Farley's baby food line from Boots, the UK retailing and pharmaceutical group. This came shortly after it had agreed with Glaxo, the UK pharmaceuticals group, to buy Glaxo'a baby food line in India.

However, Mr O'Reilly said Heinz's growth would result from a combination of higher volume, cost rednction, price increases, stock repurchases, acquisitions and global expansion, particularly in Asia and the Pacific.

Cott warns on margins despite gain

By Bernard Simon in Toronto

Cott Corporation, the fast-growing Canadian supplier of private-label hevarages, lifted second-quarter earnings by 50 per cent, hut confirmed that intensifying competition was eroding margins in some important markets.

The company's latest balance sheet provided ammunition to both supporters and critics of the controversial, Toronto-based company which has been a prima target of short sellers on North American stock exchanges.

On the one hand, accounts receivable, inventories and long-term debt rose sharply in the second quarter.

However, Cott also reported a large increase in accounts payahle, capital assets and goodwill.

Net earnings rose to C$15.9m (US$11.5m), or 26 cents a share, in the three months to July 30, from C$10.7m, or 19 cents, a year earlier.

Sales climbed 62 per cent to C$320m, due mainly to s 39 per cent jump in US volumes, which accounted for more than half the 64m cases sold during the quarter.

Volumes in Canada rose 12 per cent, while volumes outside North America were up 14 per cent to 9.2m cases.

Gross margins declined to 16.3 per cent of sales from 17.2 per cent last year and 16.5 per cent in the first quarter.

Cott sttributed the narrower margins to weak prices in Canada and the low margins of Ben Shaw, ita UK canner. Long-term debt rose to C$71.3m on July 30 from C$41.6m three months earlier and C$23.2m a year ago.

The latest jump was ascribed to amhitious capital investments and a US acquisition. But Cott said its cash flow was "more than sufficient to fund heavy seasonal demands for non-cash working capital as well as increases in other assets".

Mr Robert Mason, analyst at Richardson Greenshields in Toronto, said the company "is still considerahly under-leveraged".

Its share price lost 12 cents to C$18.63 in early trading on the Toronto stock exchange yesterday.

Ex-IBM chief to head Canadian films group

By Louise Kehoe in San Francisco

Mr Robert Corrigan, formerly president of IBM's personal computer business, has been appointed president and chief executive of Imax, a Canadian film production company that has pioneered the use of giant screens, large-format and motion simulation.

Mr Corrigan's appointment is the latest example of the increasing cross-over between the computer and entertainment industries with the development of multimedia technologies.

"The entertainment world is rapidly changing inside and outside the home," said Mr Corrigan.

He added that Imax was poised to capitalise on this by developing and delivering the next generations of hardware and software.

"We are on the threshold of a sophisticated marriage between computer technology and entertainment," added Mr Douglas Trumbull, vice-chairman of Imax.

In another example of the convergence of entertainment and electronics, Mr Strauss Zelnick, former president of 20th Century Fox who for the past two years has headed Crystal Dynamics, a leading Silicon Valley video games software developer, is to become head of BMG Entertainment North America in January.

BMG is a suhsidiary of Bertelsmann, the German media company.

Mr Zelnick will oversee the operations of BMG in the US, including its music publishing and interactive entertainment operations. He will also lead BMG's expansion into film in the US.

● Time Warner's board of directors has appointed Mr Norman Pearlstine the company's next editor-in-chief, Reuter reports.

Mr Pearlstine hecomes the fifth editor-in-chief in Time's history on the date of Mr Jason McManus's retirement at the end of the year. He is the first editor-in-chief chosen from outside the company.

Peyrelevade review nears end

By Alice Rawsthorn in Paris

Crédit Lyonnais, the troubled French banking group, expects by the end of the year to have completed its review of its European operations.

Mr Jean Peyrelevade initiated a comprehensive review of Crédit Lyonnais' activities outside France when he was appointed chairman last year by the French government, with a hrief to rescue the heavily loss-making group.

Crédit Lyonnais, a atate-controlled company, created one of Europe'a largest banking networks in the late 1980s in a series of acquisitions.

The first phase of the Peyrelevade review was completed earlier this week, when the UK subsidiary of Crédit Lyonnais announced plans to cut costs by closing aeven offices and branches.

The cuts are concentrated on the retail banking network which, said the group, did not have sufficient critical mass to compete efficiently in the UK.

Crédit Lyonnais intends to concentrate on its more competitive areas of activity in the UK such as corporate banking, private banking and capital markets trading.

Similar reviews are approaching completion in other countries, notably Belgium, Spain and Italy.

However, Crédit Lyonnals said yesterday that the group did not envisage making significant cuts in these countries because its operations were larger and therefore more cost-effective.

The reductions in the UK are part of Mr Peyrelevade'a effort to try to haul Crédit Lyonnais hack into the black.

Banking analysts are bracing themselves for further losses when the group reports its interim results next Thursday.

Jean Peyrelevade: first phase of review completed this week

Bank of Nova Scotia in Argentina move

By Bernard Simon

Bank of Nova Scotia, Canada's third biggest bank, has extended its investments in emerging Latin American and Asian markets by buying a 25 per cent stake in Argentina's Banco Quilmes.

Scotiabank will pay US$57m for its interest, which will include an agreement to provide technical services to the Buenos Aires-based bank.

Banco Quilmes has assets of US$1.2bn and 90 hranches, making it Argentina's seventh-biggest privately-owned bank. It is controlled by members of the Florito family.

Scotiabank, which has assets of C$132bn, has for many years had the most extensive international network of Canada'a big six banks, and is the only one which continues to place a strong emphasis on expansion outside North America.

It has taken equity stakes and forged other links with medium-sized financial institutions in Mexico, Chile, the Philippines and Thailand. It is in the process of finalising a deal with Idris Hydraulic, a Malaysian financial-services group.

Mr Peter Godsoe, Scotiabank's chief executive, said the bank was committed to "maintaining and huilding on the international diversity of our operations, and we expect the rate of ecooomic growth in Latin America and the Pacific rim to provide us with solid returns".

Labatt shareholders vote against poison pill

By Robert Gibbens in Montreal

Shareholders of John Labatt, the Canadian-based international brewer, have rejected management's anti-takeover "poison pill".

The plan would have made it prohibitively expensive to huy control of Labatt, but institutional holders swung the vote at Tuesday's annual meeting, hringing those in favour of rejection to 52 per cent.

The institutions have heen critical of the ambitious expansion plans of Mr George Taylor, president, hut after the meeting, Mr Taylor maintained the vote was "a verdict on management and nothing to do with corporate strategy".

Mr William Mackenzie, vice-president of Fairvest Securities, an institutional holder, said the poison pill was unacceptable because it did not allow a partial bid to succeed. Others said it was an attempt to protect management.

The pill would have been triggered if anyone tried to bny more than 20 per cent of Lahatt. In such a situation, existing shareholders could huy additional shares at a 50 per cent discount.

Management said the pill was designed to give it time to pursue alternatives.

Mr Taylor said he knew of no potential hidders for Labatt. The company has been widely held since the Edper-Hees group divested control nearly two years ago.

Speculation mounts on Sprint mobile deal

By Richard Tomkins

Three US telephone companies yesterday declined to comment on a press report that they were planning to merge their mobile telephone businesses into a grouping that would be even larger than the one being formed through AT&T's $12.6bn takeover of McCaw Cellular Communications.

One of the companies, Sprint, is a long-distance carrier, and the other two, Bell Atlantic and Nynex, are Baby Bell regional telephone companies.

According to the Wall Street Journal, the three companies are close to reaching agreement on a deal under which their cellular telephone businesses would be merged and marketed under the Sprint name.

The comhined operation would serve more than 3m existing cellular suhscribers and almost 76m potential customers.

Last month AT&T, the biggest long distance carrier in the US, won federal court approval to proceed with a takeover of McCaw Cellular Communications.

That deal will produce an organisatlou with slightly fewer than 3m exlsting subscribers and fewer than 74m potential subscribers.

The regional telephone companles are concerned that a natlonwide cellular service sold under the well-known AT&T name could lure away their local customers.

Bell Atlantic and Nynex had sought to hlock the AT&T-McCaw deal on anti-trust grounds, hut a federal judge this week denied their request for an injunction.

Bell Atlantic and Nynex announced earlier this year that they had agreed to merge their cellular businesses.

However, a partnership with Sprint would enahle them to compete much more strongly with AT&T-McCaw.

Exxon offers co-branded card

Exxon yesterday became the second US oil company to offer a co-branded credit card. The Exxon MasterCard will, the company said, be the first to offer travel-related services and discounts, Reuter reports from New York.

Exxon's US snbsldiary is iutroducing the card with General Electric's Capltal Consumer Card.

The card will not have an annual fee.

Wall St cool on NBC talk

Wall Street reacted coolly to press reports yesterday that Walt Disney was in talks to buy the NBC television uetwork from General Electric for up to $5bn, writes Tony Jackson in New York.

GE has been reported in recent weeks as talking to various suitors, including Time Warner, about the sale of NBC. Disney, in turn, has been rumoured to be interested in huying a TV network.

Both companies declined to comment yesterday.

Ms Jessica Reif, an analyst with the broking firm Merrill Lynch, said: "A lot of this is being planted in the press to aift out who's a player and who isn't". Disney shares fell $% yesterday to $41%, while GE's rose $¾ to $50¾.

Jardine motors arm moves ahead 6% at midway stage

By Louise Lucas in Hong Kong

Jardine International Motors Holdings, the Hong Kong based car distribution arm of the Jardine Group, yesterday reported a 6 per cent increase in net profits to US$38.1m for the six months to June 30, up from $35.8m in the same period last year.

Gains were struck on a 55 per cent surge in turnover, to $717.5m from $462.4m, reflecting the acquisition of Cica in Europe. Sales and deliveries into China during the second quarter were hit by the mainland's additional tariffs on vehicles.

The new taxes, effective from April, put a 150 per cent levy on top-range big-engine cars sold to joint ventures, which make up the bulk of imported car sales.

Mr Simon Keswick, chairman, said: "The strength of the Hong Kong market and continued recovery in most of the group's other operations will help to offset the effects of higher tariffs in China, and results for the full year are expected to be satisfactory."

Some 77 per cent of the group's profits before interest are generated in Asia. In spite of a strong market in Hong Kong, half-year profits from the colony slipped from the 1993 first half, when a large number of orders was carried forward from the previous year.

Earnings per share for the half-year rose in line with after-tax profits, up 6 per cent to 7.98 cents from 7.5 cents last year. The dividend is to be held at 1.20 cents.

Jardine International Motors, which is only listed in Hong Kong, has no plans to quit the exchange. However, the issue of a possible de-listing – following the decision by Jardine Matheson and Jardine Strategic to sever their Hong Kong listings at the end of the year – is on the agenda at board meetings today and tomorrow for sister companies Dairy Farm, Mandarin Oriental and Hongkong Land.

HK's Morning Post slips 4%

By Louise Lucas

South China Morning Post Holdings, the publisher of Hong Kong's leading English-language newspaper, has reported a 4 per cent drop in annual net profits to HK$564m (US$73m) from HK$586.4m for its first year under the control Malaysian millionaire Mr Robert Kuok.

Results for the year ended June 30 1993 were swollen by an exceptional item of HK$92.4m, from the sale of investment properties.

There were no exceptional items in the latest financial year.

Earnings per share slipped in line with profits, down 4 per cent to 37.61 cents from 39.09 cents. But the dividend is to be maintained at 13 cents a share.

Circulation figures show a 4 per cent rise to 105,458 copies for the flagship daily paper, and Mr Kuok says the entry of a third English-language newspaper – The Eastern Express, which launched earlier this year – has not adversely affected either revenues or circulation.

Mr Kuok paid US$349m to Mr Rupert Murdoch for control of the Post last September.

Mitsubishi and Daimler extend co-operation

Japan's Mitsubishi group and Daimler-Benz, the German motors and aerospace group, have reached agreements on various engineer exchange programmes, as well as on small-scale co-operation in fields including environmental preservation and telecommunications, Reuter reports from Tokyo.

The agreements were announced in a joint statement issued by Daimler-Benz and four Mitsubishi companies – Mitsubishi Corp, Mitsubishi Electric, Mitsubishi Heavy Industries and Mitsubishi Motors.

Mitsubishi and Daimler-Benz officials met this week to discuss areas of business co-operation. They have met once or twice a year since 1990.

In addition to various personnel exchanges, the statement reported three moderate co-operation agreements.

"There were no big joint projects announced this time. It's just that co-operation between the two companies is gradually building up," an official of Mitsubishi Heavy said.

Mitsubishi Heavy and Daimler agreed to exchange young engineers and managers in preparation for a future joint project.

Daimler-Benz has been asking for joint development of aircraft, but Mitsubishi had called for engineer exchanges, Mitsubishi Heavy said.

The three agreements include the establishment of a 50-50 joint venture between Mitsubishi and Daimler-Benz's wholly owned unit Daimler-Benz Inter-Services, to provide general information.

The statement added that Mitsubishi Motors had agreed to start selling pick-up trucks in South Africa through Daimler's Mercedes-Benz South Africa unit by the end of October, six months ahead of schedule.

Daimler-Benz and Mitsubishi Heavy also decided to continue joint research on the recycling of waste plastics.

The two groups are to seek areas of co-operation in other parts of Asia.

CME designs new currency swaps

Ever since the Chicago Mercantile Exchange first launched foreign currency futures in 1972 it has been trying to find ways to bring a larger portion of the interbank foreign exchange trade on to its dealing floor. The interbank market, with some $1,000bn in daily turnover, is a fat target for any of the world's exchanges, but a difficult one.

The interbank market is highly liquid, pricing is straightforward, default rates are remarkably low, and long-standing credit lines back up trading relationships.

In designing its new Currency Forward Contracts, the exchange has drawn on its experience with its very successful eurodollar futures and options contracts. "Currency Forwards have the potential to become a primary swap pricing mechanism like eurodollars have become," says Mr Clifford Besser, a former options trader who has spent the past year making markets in the CME's Rolling Spot pit.

Noting that forward swaps (usually a spread with one leg in the spot market and one on a forward date) comprise about 40 per cent of all foreign exchange transactions, the CME hopes its version of forwards will offer enough incentives that they will eventually win over a substantial amount of interbank trade. Used in conjuction with the CME's year-old Rolling Spot contracts, the exchange products can replicate over-the-counter currency swaps.

DERIVATIVES

Those swaps typically are bets on the movement of the interest rate differentials between two currencies over time.

The exchange says its forwards offer at least three distinct advantages: unlike interbank currency forwards, CME forwards don't tie up bank credit lines, and so are particularly attractive for locking in interest rate differentials between currencies for periods beyond one year; banks trading the exchange products do not have to be concerned with BIS capital adequacy requirements; and finally, credit risk is minimal because the CME clearing house acts as counterparty to each trade.

The cost savings using the CME can be significant – in the interbank market, credit lines and capital charges can add up very quickly – but that feature may be lost on bank traders, who are not directly responsible for their transaction costs.

For the CME products to have a chance at success, the exchange will have to attract and maintain sufficient liquidity to keep the nascent market going over the long period it will take to wean banks away from established practices.

Mr Garret Glass, senior vice-president and head of market risk management at First National Bank of Chicago, notes that foreign exchange transaction costs are insignificant to banks on a trade-by-trade basis. However, he says: "Over time, we've found thet a bank would be better off using a clearing house for foreign exchange trades."

The CME launched its Currency Forwards on September 12 with a $/D-Mark product, and intends to expand with $/yen contracts if D-Marks are successful. The forwards are valued at $250,000 each, trade in one-quarter point "pips", or increments, and settle, in an unusual twist, into the CME's Rolling Spot currency contracts. Unlike the CME's currency futures, Currency Forwards are quoted in European terms, making the product compatible with the OTC markets.

The contracts are listed two years into the future and expire on a monthly basis.

Currency Forwards, pitched to please the interbank market, do not have much to offer the typical CME floor trader. The potential market is huge, but particularly in the forward swaps arena, prices do not move much, and provide few short-term opportunities.

This does not bother the exchange, which recognises that the Currency Forward and Rolling Spot contracts, properly nurtured, could transform the CME into the world's first forex clearing house. Rather than depend on local traders, the exchange is relying on member banks to quote both sides of the forward and rolling spot markets.

"Our big challenge is to overcome inertia," says Mr. Besser. "Bank traders aren't very adventurous. We have to get big institutional traders to try us out," he said.

Laurie Morse

PTC offering attracts $1.4bn

By Antonia Sharpe

Bids from international investors for a placing of 5m vouchers in the state-run Pakistan Telecommunication Corp (PTC) reached $1.4bn yesterday, joint global co-ordinator Jardine Fleming said.

The offering had been expected to raise around $750m for the government of Pakistan. The 5m PTC vouchers, which are exchangeable into shares in the future privatised Pakistan Telecommunications Company, account for around 10 per cent of the company.

The bookbuilding process is scheduled to close today, after which allocations will be made. An official at Jardine Fleming said that the vouchers were likely to be priced between Rs5,000 and Rs5,500. This compares with a price of Rs3,000 in a recent domestic offering of vouchers which accounted for 2 per cent of the company.

The official said that demand was particularly strong from emerging market funds and from institutional investors in east Asia, the UK and the US. Non-resident Pakistanis in the Middle East also showed a keen interest in the offering.

The strong response from foreign investors prompted the vouchers to close Rs575 higher at Rs6,350 at the Karachi Stock Exchange.

Jardine Fleming is co-ordinating the offering with Muslim Commercial Bank.

Advance for Indonesian timber group

By Manuela Saragosa in Jakarta

PT Barito Pacific Timber, Indonesia's largest manufacturer of timber products, said net income in the first six months of 1994 rose to Rp103bn ($47m) from Rp82bn a year earlier.

The company also reported that net sales increased to Rp481bn from Rp462bn the year before.

Barito Pacific has come under fire recently for management at its forest concessions.

The company, which ranks as the world's largest tropical hardwood plywood manufacturer, is majority owned by Mr Prajogo Pangestu.

Mr Pangestu recently agreed to allow the Indonesian government to take a 49 per cent stake in two of the forest concessions he operates and which supply Barito Pacific with timber.

The Ministry of Forestry said that the move was aimed at improving management at the forest concessions.

Australis Media posts loss of A$19m for year

By Nikki Tait in Sydney

Australis Media, the quoted company which holds one of Australia's two commercially-available satellite television licences and which has pledged to set up a pay-TV system by the beginning of next year, yesterday unveiled a loss of A$19.1m (US$14m) in the year to end-June.

Australis said that the loss reflected start-up and establishment costs for both its planned broadcast subscription services and its targeted business.

The company currently runs a handful of special language services and a news service, which are sold to subscribers in Sydney and Melbourne.

The company said that its emphasis over the next few months would be on the completion of programming arrangements.

Arnott's puts off building new factory

Arnott's, the Australian food group 61 per cent owned by Campbell Soup of the US, said it had put on hold its planned A$200m (US$147m) biscuit factory because of the decision by the Australian Prices Surveillance Authority (PSA) to continue monitoring the company, Reuter reports from Sydney.

Mr Paul Bourke, Arnott's managing director, said the new factory, planned to be built in Sydney, was a key part of its push into Asia.

The PSA, a federal body, recently released a report on biscuit pricing.

Arnott's said earlier this year it may shelve plans to build the factory if it was not released from surveillance.

James Capel forms South Africa link

By Mark Suzman in Johannesburg

International securities house James Capel and South African stockbrokers Simpson McKie have announced plans to form a new company, Simpson McKie James Capel, to be responsible for the marketing of South African securities through James Capel offices worldwide.

Once the necessary amendments to South African securities law are made, expected by April 1995, a James Capel affiliate will purchase 30 per cent of Simpson McKie. It plans ultimately to purchase a further 21 per cent when further legislation permits. The value of the transaction has not been released.

All 16 current directors of Simpson McKie will be on the new board while James Capel will nominate a further three. Mr Duncan Agar, James Capel international director, said the transaction gave James Capel direct access to the South African market.

According to Mr Dixie Strong, Simpson McKie chief executive, his firm's expertise would be able to provide the new company with top quality South African research, while the James Capel link would provide it with an established global marketing network.

Notice to the Holders of

U.S. $75,000,000

6¾% Convertible Bonds due 2001

of

P.T. Indocement Tunggal Prakarsa

(the "Issuer")

NOTICE IS HEREBY GIVEN THAT, in accordance with Condition 7(c) of the Bonds, the Issuer will redeem all of the outstanding Bonds on October 17, 1994 (the "Redemption Date") at their Principal Amount plus accrued interest from the last payment date to the Redemption Date, all as more fully provided in the Terms and Conditions applicable to the Bonds and the related Paying Agency Agreement.

Payment of the Redemption Amount, together with interest due, will be made on or after the Redemption Date against presentation and surrender of the Bonds at the office of the Principal Paying Agent or of any Paying and Conversion Agents listed below. Each Bond presented for redemption should be presented together with all unmatured Coupons appertaining thereto. Unmatured Coupons due after June 20, 1994 (whether or not attached) shall become void and no payment shall be made in respect thereof. Bonds and Coupons will become void unless presented for payment within periods of 10 years and 5 years respectively from October 17, 1994 as defined in Condition 11 of the Bonds.

Bondholders are reminded that notwithstanding the foregoing they will remain entitled to exercise their rights to convert the Bonds for Ordinary Shares of the Issuer at a Conversion Price of Rp 7,225 (see our notice dated August 12, 1994) per share and with a fixed rate of exchange of Rupiah 1,946 = U.S. $1. The Closing Price of the relevant share as of September 7, 1994 is Rupiah 9,000. The Conversion rights is exercisable at any time up to and including October 12, 1994 by way of Bondholders delivering to the specified office of any Paying and Conversion Agents listed below the Conversion Notice in duplicate together with the relevant Bonds (together with all unmatured Coupons thereto).

PRINCIPAL PAYING, TRANSFER AND CONVERSION AGENT

The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street, London EC2P 2HD

PAYING, TRANSFER AND CONVERSION AGENT

Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
L-2338, Luxembourg Grund

Chase Manhattan Bank (Switzerland)
63 Rue du Rhône
CH-1204 Geneva

Banque Bruxelles Lambert S.A.
24 Avenue Marnix, B-1050 Brussels

For and on behalf of
P.T. Indocement Tunggal Prakarsa

By: The Chase Manhattan Bank, N.A.
London, Principal Paying, Transfer and Conversion Agent

CHASE

September 15, 1994

U.S. $400,000,000

Hydro-Québec

Undated Floating Rate Notes, Series GL,

Unconditionally guaranteed as to payment of principal and interest by

Province de Québec

Interest Rate	5½% per annum
Interest Period	15th September 1994 15th March 1995
Interest Amount per U.S. $10,000 Note due 15th March 1995	U.S. $276.53

CS First Boston
Agent

Christiania Bank og Kreditkasse

(Incorporated in the Kingdom of Norway with limited liability)

U.S.$250,000,000
Floating Rate Subordinated Notes Due 2001

Notice is hereby given that the Rate of Interest has been fixed at 5.375% and that the interest payable on the relevant Interest Payment Date March 15, 1995, against Coupon No. 17 in respect of US$10,000 nominal of the Notes will be US$270.24 and in respect of US$250,000 nominal of the Notes will be US$6,756.00.

September 15, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Bank of Greece
Athens, Greece
U.S. $250,000,000
Floating Rates Notes due 1999

For the six months 14th September, 1994 to 14th March, 1995, the Notes will carry an interest rate of 5.75% per annum with a coupon amount of U.S. $289.10 per U.S. $10,000 Note, payable on 14th March, 1995.

Bankers Trust Company, London — Agent Bank

The Chase Manhattan Corporation
U.S. $400,000,000
Floating Rate Subordinated Notes due 2009

For the three months 14th September, 1994 to 14th December, 1994 the Notes will carry an interest rate of 5.25% per annum with a coupon amount of U.S. $132.71 per U.S. $10,000 Notes, payable on 14th December, 1994.

Bankers Trust Company, London — Agent Bank

U.S. $100,000,000

GW

Great Western Financial Corporation

Floating Rate Notes Due 1995

Interest Rate	5⅛% per annum
Interest Period	15th September 1994 15th December 1994
Interest Amount per U.S. $50,000 Note due 15th December 1994	U.S. $663.54

CS First Boston
Agent

US$100,000,000
Subordinated Collared Floating Rate Depositary Receipts due 2003 issued by

The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on deposits with Banco di Napoli Hong Kong Branch

The receipts will bear interest at 6.125% per annum from 15 September 1994 to 15 March 1995. Interest payable on 15 March 1995 will amount to US$30.80 per US$1,000, US$307.95 per US$10,000 and US$3,079.51 per US$100,000 receipt.

Agent: Morgan Guaranty Trust Company

JPMorgan

BANQUE PARIBAS

US$400,000,000
Undated subordinated floating rate securities

In accordance with the provisions of the securities, notice is hereby given that for the interest period from 15 September 1994 to 15 December 1994 the securities will carry an interest rate of 5.1875% per annum. Interest payable value 15 December 1994 per US$1,000 security will amount to US$13.11 and per US$10,000 security will amount to US$131.13.

Agent: Morgan Guaranty Trust Company

JPMorgan

BANQUE PARIBAS

US$200,000,000
Undated floating rate securities

In accordance with the provisions of the securities, notice is hereby given that for the three month interest period from 15 September 1994 to 15 December 1994 the securities will carry an interest rate of 5.0625% per annum. Interest due on 15 December 1994 will amount to US$12.80 per US$1,000 security.

Agent: Morgan Guaranty Trust Company

JPMorgan

NOTICE OF EARLY REDEMPTION
To the Holders of
HALIFAX BUILDING SOCIETY
(the "Society")

£350,000,000 Floating Rate Notes 1995
(the "Notes")

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(c) of the Notes, the Society will redeem all outstanding Notes at their principal amount on October 18, 1994.

Payment in respect of the Notes will be made against presentation and surrender, on or after October 18, 1994, of Notes together with all unmatured Coupons appertaining thereto. Such payment will be made in sterling at the specified office of the Principal Paying Agent in London or at any specified office of any Paying Agent by a sterling cheque drawn on or, at the option of the holder, by transfer to a sterling account maintained by the payee with, a bank in London.

Interest shall cease to accrue on the Notes from October 18, 1994 and unmatured Coupons relating to the Notes shall become void on such date.

PRINCIPAL PAYING AGENT

Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

PAYING AGENTS

Morgan Guaranty Trust Company of New York
avenue des Arts 35
B-1040 Brussels

Banque Paribas Luxembourg
10A boulevard Royal
L-2093 Luxembourg

Dated: September 15, 1994

HALIFAX BUILDING SOCIETY
By: Morgan Guaranty Trust Company OF NEW YORK as Principal Paying Agent

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City of Stockholm

US$325,000,000
Floating rate notes 1999

Notice is hereby given that the notes will bear interest at 5% per annum from 15 September 1994 to 15 December 1994. Interest payable on 15 December 1994 will amount to US$12.64 per US$1,000 note, US$126.39 per US$10,000 note and US$1,263.89 per US$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

IRELAND

US$500,000,000
Floating rate notes due September 1998

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period from 15 September 1994 to 15 March 1995 the notes will carry an interest rate of 5.31% per annum. Interest payable on 15 March 1995 will amount to US$266.98 per US$10,000 note and US$6,667.58 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Lehman Brothers Holdings PLC

(Incorporated in England. Formerly named Shearson Lehman Brothers Holdings PLC)

U.S. $175,000,000
Guaranteed Floating Rate Notes due 1995

Guaranteed as to payment of principal and interest unconditionally and irrevocably by

Lehman Brothers Holdings Inc.
(Incorporated in the State of Delaware. Formerly named Shearson Lehman Brothers Holdings Inc.)

In accordance with the Terms and Conditions of the Notes, notice is hereby given, that for the Interest Period from September 15, 1994 to December 15, 1994 the Notes will carry an Interest Rate of 5.8125% per annum. The amount payable on December 15, 1994 will be U.S. $14.69 for Notes in denominations of U.S. $1,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

September 15, 1994 CHASE

LEGAL NOTICES

In the Matter of
THE FORTRESS TRUST PLC
and
In the Matter of the Insolvency Act and Rules 1986

In accordance with Rule 4.106, I, JOHN WILLIAM POWELL of Levy Gee, 4th Floor, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex, BN11 1RY, give notice that on 1st September 1994 I was appointed Liquidator by resolutions of members.

Notice is hereby given that the creditors of the above named company, which is being voluntarily wound up, are required, on or before the 1 October 1994 to send in their full christian and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned JOHN WILLIAM POWELL of 4th Floor, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex BN11 1RY, the Liquidator of the said company, and, if so required by notice in writing from the said Liquidator, are personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution.

Note: This notice is purely formal. All creditors have been or will be paid in full.

Dated: 8 September 1994

JOHN WILLIAM POWELL, Liquidator

NACIONAL FINANCIERA, S.N.C.,
Trust Division
as trustee of the Nafin Finance Trust
(a trust under the laws of Mexico)

US$200,000,000 Guaranteed Floating Rate Notes due 1997
Unconditionally and Irrevocably Guaranteed by

NACIONAL FINANCIERA, S.N.C.

Notice is hereby given that the Rate of Interest has been fixed at 7.5625% and that the interest payable on the relevant Interest Payment date December 15, 1994 against Coupon No. 8 in respect of US$10,000 originally issued face amount of the notes will be US$75.26.

September 15, 1994
By: Citibank, N.A., (Issuer Services), Agent Bank CITIBANK

BZW move brings DTB and Matif closer

By Richard Lapper in Paris

The French and German futures and options exchanges came one step closer yesterday when a UK bank announced it was ready to trade interest rate futures across a link jointly developed by the two markets.

BZW Futures, part of Barclays, will shortly begin trading a range of German futures and options from its Paris offices. Other traders are expected to follow over the next few months.

France's Matif and Germany's DTB announced their collaboration 18 months ago. They hope that the link will allow them to compete more effectively with Liffe and other international exchanges.

"This is the most important single development in European financial futures markets for many years," said Mr Graham Newall, chief executive of BZW Futures.

"It is the first trade in a new era in the way futures business will be conducted in Europe," he added, arguing that the development would "enhance liquidity on DTB". The trades have been made possible by the installation of DTB terminals in Paris.

In a second stage of co-operation, Matif, where trades are predominantly carried out through the traditional "open outcry" method on the dealing floor, will allow DTB members to trade two of its products over the German exchange's screen-based trading system.

Subsequently, the two exchanges plan to generate joint plans to develop trading software, clearing and settlement.

The exchanges will be particularly keen to challenge Liffe's 70 per cent share of the market for German bund contracts.

Mr Daniel Hodson, chief executive of Liffe, played down the threat, arguing that the London exchange offers a wider range of products, greater liquidity and better distribution than its European rivals, which "tend to be seen as domestic exchanges".

He said, however, that the tie-up could succeed in attracting new players into the marketplace.

Liffe would not lose any "significant percentage" of its bund business to the DTB, he predicted.

Collaboration between Liffe and its European counterparts is likely to remain limited, Mr Hodson said.

ITC Classic seeks link with BAT unit

By Kunal Bose in Calcutta

ITC Classic Finance, the Indian financial services groop, is seeking a partnership with Threadneedle Asset Management, a BAT eubsidiary, in order to promote an asset management company to India.

Mr Feroze Vevaina, an ITC Classic director, said the two companies had started discussing "the various aspects of the proposed collaboration, including the participation in the equity capital of the asset management company to ba formed. I think the collaboration will take a definite shape by the end of this year".

ITC Classic has been given permission by the Securities and Exchange Board of India to launch mutual funds. But, as Mr Vevaina pointed out, "we need expertise and technology to design and operate close and open ended schemes. A tie-np with Threadneedle will take care of that".

Threadneedle has invested in Indian companies through its emerging markets fund.

ITC Classic had tried to promote the asset management company in partnership with Peregrine of Hong Kong.

Halifax launches first FFr offering

By Tracy Corrigan

Halifax Building Society yesterday launched its debut offering in the French franc market, following a series of investor presentations in Paris last week.

Although the Halifax is now the best-rated financial institution in the UK, building societies have often fared poorly with overseas invastora because they are perceived as rather parochial entities. However, the success of the Abbey National, which has become one of the most active borrowers in the international markets since its conversion to bank status, has inspired other societies to step up their marketing efforts with international investors in an attempt to reduce wholesale funding costs.

INTERNATIONAL BONDS

A Halifax treasury official described the deal as "part of a consistent process to establish a presence on the world's principal markets".

The seven-year offering of 8 per cent bonds was priced to yield 28 basis points over the comparable OAT, a level which dealers said was aggressive, relative to deals by better-known French borrowers. However, there is currently a dearth of paper in the French market, particularly at current coupon levels.

The lack of new issues is partly due to poor swap opportunities. However, the Halifax deal was swapped into floating-rate sterling at a level slightly higher than the society normally pays for borrowings under its medium-term note programma, an official said.

Joint lead manager SBC estimated that around half the deal was placed overseas and half in France.

In the D-Mark sector, KFW, the German development agency, launched a DM1bn offering, which successfully reopened the 10-year sector after a five-month lull. Priced to yield 25 basis points over the 10-year bund, dealers said the spread was sufficiently attractive to appeal to both international and domestic investors, unlike a number of recent D-Mark offerings, which were too aggressive compared with paper available in the domestic market.

Joint lead manager J.P. Morgan reported a 50/50 split. The spread held steady at 25 basis points, after tha syndicate broke.

In the dollar sector, two banks launched fixed-rate deals, while three banks launched floating-rate transactions. Among the floating-rate deals, the Bank of Melbourne brought an initial $250m offering of floating-rate notes, bearing interest of 25 basis points over three-month Libor.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Bank of Melbourne‡	300	(a)	99.86R	Oct.1997	0.15	-	CS First Boston
Swiss Bk. Corp.(Cayman)	200	7.0	100.47R	Oct.1997	0.17R	-	Swiss Bank Corp.
Yangming Marine Trans.(b)§	180	(1¼-2¼)	100	Oct.2001	2.50	-	Barings Intl. Fin.
CS First Boston	150	7.75	99.89R	Oct.1998	0.30R	+80(c)	CS First Boston
Sco.Latinoam. de Export‡	100	(d)	99.90R	Oct.1995	0.10R	-	Swiss Bank Corp
Fokus Bank AS (Norway)‡	75	(e)	100	Sep.2004	0.50	-	JP Morgan
AUSTRALIAN DOLLARS							
Bayerische Vereinsbank	100	10.25	100.175	Oct.2004	2.125	-	Hambros
FRENCH FRANCS							
Halifax Building Soc.	3bn	8.00	99.38R	Oct.2001	0.325R	+28 (9¾-01)	Paribas / SBC
D-MARKS							
KFW Intl. Fin.	1bn	7.75	99.39R	Oct 2004	0.325R	+25 (6¾-04)	JP Morgan / West LB
SWISS FRANCS							
Credit Local de France	150	5.375	102.125	Oct.1998	-	-	Merrill Lynch AG

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Amount increased from $250m. Pays 3 mth Libor +25bp. b) Fixing 26/8/1999, indicated premium 1-6%. put at year 5, to yield between 6-6.4%. c) Spread is over the interpolated yield d) Amount increased to $250m. Coupon pays 3 mth Libor +50bp. Long first coupon. e) Subordinated issue. Coupon pays 3 mth Libor +115bp for firts 5 years, then pays 3 mth Libor +180bp.

Gilts slip on UK inflation worries and European falls

By Martin Brice and Antonia Sharpe in London and Frank McGurty in New York

Coocerns abont the UK government's ability to keep the lid on inflation and declines in some European bond markets pushed UK gilts lower yesterday, with the long end falling by more than one point.

Gilts fell initially oo a higher-than-expected rise in the Retail Price Index of 2.4 per cent for August. Analysts said the fall then gathered pace on worries over the government's anti-inflation policy.

Mr Simon Briscoe at S.G. Warburg said tha decision by UK chancellor Kenneth Clarke to raise the base rate by 50 basis points to 5.75 per cent oo Monday had been presented as a move to pre-empt inflation.

However, some dealers now believed tbe move was in responsa to the RPI figures which they suspected the chancellor knew about on Monday. "People had been led to beliave that the authorities made this [interest rate] decision without knowing the RPI numbers," he said. "There is now uncertainty about policy and that has made the market nervous today."

Mr Andrew Roberts, at UBS, said gilts were unlikely to rally as long as the market felt Mr Clarke was increasing interest rates in response to inflation, instead of moving to stifle it.

But Mr Nigel Richardson, at Yamaichi, said: "Really there is no significant inflation problem in the UK, so Monday's rate rise is still pre-emptive."

The yield spread between gilts and bunds widened from around 138 basis points on Tuesday to aromd 150 yesterday. On Liffe, the December long gilt future traded at 98 in late trading, a fall of 1 point on the day.

■ Comments by the Bundesbank's vice-president, Mr Johann Wilhelm Gaddum, which suggested that further interest rate cuts were unlikely and stronger-than-expected wholesale data for August weighed on German government bonds yesterday.

GOVERNMENT BONDS

Mr Gaddum's view that Germany's rapid money snpply growth did not allow him to justify a reduction in the fixed-rate repo rate from the current 4.85 per cent dashed lingering bopes that the Bundesbank would ease the repo rate this week. The market now expects no changes from the Bundesbank after its meeting today.

Although Mr Gaddum is regarded as ooe of the Bundesbank's more hawkish members, analysts said his remarks were the first clear indication that the Bundesbank was moving away from the policy of cutting interest rates further.

Mr Julian Callow, European economist at Kleinwort Beoson, said Mr Gaddum's views also suggested that the Bundesbank was now giving a higher priority to dampening down inflation rather than to tackling unemployment.

A 0.2 per cent rise in west German wbolesale prices in August from July, up 2.2 per cent from a year earlier, and an nnexpected drain of DM1.3bn by the Bundesbank during its weekly repo operations were seeo as two further reasons why the Bundesbank would not be easing rates further. On Liffe, the December bund future fell 0.5 point to 88.70 while in tbe cash market, yields on 10-year bunds rose by 8 basis points to 7.60 per cent.

■ The weakness in bunds prompted the spread between German and French bonds to go below 50 basis points at one point during the day. However, dealers said the narrowing spread did not nacessarily reflect greater investor confidence in the French market. On the Matif, the December ootional bond future was barely changed at 110.90.

■ US Treasury bonds dipped yesterday morning on news of a surprising increase in retail sales, excluding cars.

By midday, the beochmark 30-year government bond was ½ down at 97¼, with the yield rising to 7.681 per cent. At the short end, the two-year note was unchanged at 99, to yield 6.317 per ceot.

The day's economic news was mixed, but on balance it only darkened the mood of traders already gloomy about recent evidence of inflation.

As the session began, the Commerce Department announced that retail sales last month ware up 0.8 per cent, against forecasts which centred on a 1 per cent gain.

But enthusiasm over the favourable headline figure was dampened by evideoce that mnch of the growth had come from outside the motor vehicle sector. Excluding automobiles, August sales climbed 0.7 per ceot, much higher than the 0.4 per cent increase which had been expected. An unusually sharp downturn in sales by restaurants and bars last month also supported a negative interpretation of the report as a whole by suggesting the sales to other areas were strong.

In the end, traders were left with the impression that the recent series of monetary tightenings were having little success in cooling the economy.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.5900	-1.180	10.20	9.51	9.23
Belgium		7.250	04/04	90.9000	-0.240	8.67	8.68	8.27
Canada *		6.500	06/04	85.1000	-0.100	8.62	8.99	8.79
Denmark		7.000	12/04	85.7000	-0.150	9.21	9.16	8.89
France	BTAN	8.000	05/98	101.5000	-0.130	7.48	7.39	7.21
	OAT	5.500	04/04	83.0400	-0.400	8.10	8.02	7.73
Germany Bund		6.750	07/04	94.1600	-0.590	7.61	7.52	7.22
Italy		8.500	04/04	80.5000	+0.100	11.96†	12.17	11.86
Japan	No 119	4.800	06/99	103.8180	+0.080	3.90	3.95	4.07
		4.100	12/03	97.1310	+0.130	4.54	4.67	4.66
Netherlands		5.750	01/04	88.2300	-0.570	7.55	7.49	7.21
Spain		8.000	05/04	80.2000	-0.500	11.47	11.36	11.10
UK Gilts		8.000	06/99	99-19	-16/32	8.64	8.46	8.31
		6.750	11/04	85-25	-37/32	8.89	8.68	8.56
		9.000	10/08	101-05	-42/32	8.86	8.69	8.58
US Treasury *		7.250	08/04	98-26	-1/32	7.42	7.28	7.13
		7.500	11/24	97-26	-1/32	7.68	7.57	7.36
ECU (French Govt)		6.000	04/04	82.9900	-0.300	8.67	8.61	8.33

London closing, *New York mid-day. Yields: Local market standard.
1 Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	4.62	Two year	6.32
Prime rate	7¾	Two month	4.69	Three year	6.62
Broker loan rate	8½	Three month	4.70	Five year	7.03
Fed.funds	4¾	Six month	5.17	10-year	7.42
Fed.funds at intervention	.	One year	5.64	30-year	7.68

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	112.22	111.94	-0.22	112.36	111.82	164,558	63,523
Dec	111.22	110.96	-0.24	111.38	110.84	81,018	93,995
Mar	110.62	110.28	-0.24	110.62	110.40	1,458	4,789

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
111	0.74	1.59	1.92	0.67	1.54	-
112	0.34	1.02	-	1.24	2.01	-
113	0.12	0.69	-	-	2.70	-
114	-	0.41	-	-	3.29	-
116	-	0.22	-	-	-	-

Est. vol. total, Calls 25,780 Puts 41,145. Previous day's open int., Calls 206,226 Puts 283,767.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.10	88.64	-0.56	89.24	88.58	146895	142721
Mar	87.65	87.84	-0.56	88.00	87.85	20	1105

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
8850	0.57	1.02	1.28	1.38	0.43	0.88	1.14	2.04
8900	0.32	0.77	1.02	1.16	0.68	1.13	1.38	2.31
8950	0.18	0.56	0.79	0.94	1.02	1.42	1.65	2.60

Est. vol. total, Calls 16930 Puts 7875. Previous day's open int., Calls 173506 Puts 178574

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.69	96.69	-0.13	97.22	96.55	44001	63432
Mar	96.20	95.98	-0.08	96.35	96.20	420	340

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9650	2.52	2.29	2.33	2.80
9700	2.24	2.07	2.55	3.08
9750	1.99	1.87	2.80	3.38

Est. vol. total, Calls 734 Puts 218. Previous day's open int., Calls 8930 Puts 12422

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	86.20	85.75	-0.58	86.34	85.65	44,230	81,348
Dec	85.10	84.31	-0.63	85.10	84.30	13,520	47,731

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100-14	98-17	-1-07	100-14	98-20	1144	21815
Dec	100-01	98-25	-1-10	100-08	98-20	87841	92712
Mar		98-05	-1-10			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
98	2-29	3-02	1-43	2-56
99	1-57	2-37	2-07	3-27
100	1-26	2-11	2-40	4-01

Est. vol. total, Calls 5680 Puts 6857. Previous day's open int., Calls 30896 Puts 27353

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	80.44	80.12	-0.28	80.44	80.12	749	3,518
Dec	79.94	79.62	-0.28	79.94	79.56	1,353	6,353

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	101-02	101-00	+0-03	101-03	100-22	27,312	105,273
Dec	100-06	100-04	+0-03	100-06	99-26	506,485	339,524
Mar	99-13	99-13	-	99-15	99-04	2,616	8,530

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.04			108.06	107.92	1168	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Sep 14	Day's change %	Tue Sep 13	Accrued interest	xd adj. ytd		Low coupon yield Sep 14	Sep 13	Yr. ago	Medium coupon yield Sep 14	Sep 13	Yr. ago	High coupon yield Sep 14	Sep 13	Yr. ago
1 Up to 5 years (24)	118.40	-0.30	118.70	1.75	8.01	5 yrs	8.78	8.62	6.37	8.94	8.68	6.65	8.98	8.82	6.84
2 5-15 years (21)	136.66	-0.87	137.89	1.85	9.60	15 yrs	8.75	8.59	7.23	8.89	8.73	7.35	9.11	8.95	7.57
3 Over 15 years (9)	152.13	-1.38	154.27	1.33	8.81	20 yrs	8.67	8.53	7.31	8.89	8.73	7.39	8.94	8.78	7.58
4 Irredeemables (6)	174.10	-1.28	176.36	2.78	8.83	Irred.†	8.73	8.61	7.41						
5 All stocks (60)	134.71	-0.82	135.82	1.67	8.15										

Index-linked							Inflation 5% Sep 14	Sep 13	Yr. ago	Inflation 10% Sep 14	Sep 13	Yr. ago
6 Up to 5 years (2)	185.20	-0.07	185.33	0.86	3.95	Up to 5 yrs	3.98	3.91	2.58	2.78	2.87	1.72
7 Over 5 years (11)	170.75	-0.49	171.73	0.55	3.95	Over 5 yrs	3.82	3.88	3.21	3.72	3.70	3.02
8 All stocks (13)	171.36	-0.45	172.27	0.57	3.94							

Debentures and Loans						5 year yield Sep 14	Sep 13	Yr. ago	15 year yield Sep 14	Sep 13	Yr. ago	25 year yield Sep 14	Sep 13	Yr. ago
9 Debs & Loans (79)	125.87	-1.32	127.55	2.28	7.84	9.88	9.75	7.98	9.80	9.66	8.22	9.72	9.57	8.53

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 14	Sep 13	Sep 12	Sep 9	Sep 8	Yr ago	High*	Low*
Govt. Secs. (UK)	90.44	91.00	91.12†	90.84	91.65	101.46	107.04	90.44
Fixed Interest	107.83	108.02	107.87	108.18	108.20	124.05	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. † Correction.

GILT EDGED ACTIVITY INDICES

	Sep 13	Sep 12	Sep 9	Sep 8	Sep 7
Gilt Edged bargains	111.5	88.0	111.7	100.7	79.8
5-day average	98.3	93.1	93.8	95.8	92.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 14

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	90⅝	90⅞		8.03
Alberta Province 7⅞ 98	1000	101⅛	101⅜		7.29
Austria 8½ 00	400	104⅛	104⅜		7.46
[illegible]					
United Kingdom 7¼ 97	5500	101⅛	101¼	-⅛	5.70
Volkswagen Intl Fin 7 03	1000	94⅛	94½	-¼	7.85
World Bank 0 15	2000	19⅜	20⅛		7.93
World Bank 6⅞ 03	3000	88⅛	88½	-½	7.73
[illegible]					
Abbey Natl Treasury 8 03 £	1000	90⅞	90⅞	-⅛	9.69
Alliance Leics 11⅞ 97 £	100	106	106⅜	-¼	8.70
British Land 8⅞ 23 £	150	88¾	87¼	-1⅛	10.59
Denmark 6¾ 98 £	800	93	93¼	-¼	8.89
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
[illegible]							

‡ "Tap" stock. ‡‡ Tax-free to non-residents on application. £ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Upturn in UK building materials market fuels the advance

Camas 44% ahead to £4.9m

By Andrew Taylor, Construction Correspondent

Increases in sales and prices in UK building materials lifted pre-tax profits of Camas, Britain's fifth largest aggregates group, by 44 per cent from £3.4m to £4.9m in the first six months of 1994. Turnover grew from £174m to £210m.

The company yesterday announced its first half year figures since it demerged from English China Clays at the beginning of June.

Mr Alan Shearer, chief executive, said the first-half profits had gained from an initial contribution from the Kost building materials businesses, acquired in the US for $31.5m (£21.5m) earlier this year.

Camas, which is paying an interim dividend of 1.25p, expects to pay a total of at least 3.75p this year. Earnings per share rose from 0.98p to 1.6p after adding back £1.5m exceptional costs of the demerger.

Profits from the European division, of which the UK accounts for about 90 per cent, rose by more than a third to £8.7m (£6.5m). Sales volumes of crushed rock, sand and gravel rose by about 13 per cent. Prices had increased by an average 10 per cent since the beginning of the year.

The sales increase was mainly the result of a sharp rise in private sector housebuilding and increased private industrial construction. Coated stone sales had risen by 5.6 per cent, reflecting a higher level of road construction and maintenance, said Mr Shearer.

The group's operations in the Channel Islands also increased profits, helped by two land reclamation contracts in Jersey.

US profits increased from £804,000 to £1.4m, including a first time contribution of £747,000 from the former Kost businesses in North Dakota. Without this contribution, US profits would have fallen from £804,000 to £656,000.

The decline was because of the completion of construction and a subsequent delay in opening Denver's new airport. This had led to the postponement of private infrastructure projects, such as hotels, which were expected to go ahead when the airport opened, said Mr Shearer.

Profits from Minneapolis and St Paul's, the group's other regional US business, were slightly higher than at the same stage last year.

Net debt at the end of June was £75.2m, representing 34 per cent of shareholders' funds of £223.1m. The company said that this was likely to reduce to about £65m, with 30 per cent gearing, by the year end.

● COMMENT

The UK has performed better than expected and the US worse because of the delayed opening of the Denver airport, which is likely to continue to affect the group into the first half of next year. A few eyebrows also might be raised at the company's report of increased costs in its non-aggregate UK building materials business. Elsewhere there were few surprises. Pre-tax profits of £18m this year and £25m next would put the shares on prospective multiples of more than 18 and 14, which is fair value but already in the price – which should be expected for a company which published its demerger prospectus only four months ago.

ECC is flattered by land sales

By Andrew Bolger

The first interim profits from English China Clays since it demerged Camas, its construction materials arm, in June were flattered by a sharp increase in profits from land sales.

ECC's construction business increased sales from £13.2m to £37.9m and operating profits from £7.4m to £21.6m in the six months to June 30. The group said it intends to sell off the business's land bank over the next few years, subject to the state of the market.

The remaining land is worth an estimated £65m-£70m at current market prices, but analysts estimate next year will mark the last significant contribution to group profitability, with the remaining disposals being spread over several years.

Mr Patrick Drayton, finance director, said it had been decided to keep the construction business within ECC while it was being run down, because the profits and cashflow from the disposals would have greatly distorted the performance of the much smaller Camas.

ECC's group sales rose from £515m to £618m, including a full contribution from Calgon, the US speciality chemicals business it bought last June for £210m.

Calgon, which now makes up the speciality chemicals division, made operating profits of £6.1m on sales of £78.5m. Growth was significant in paper chemicals, but water management sales were down, reflecting customer destocking, lower usage and competitive pricing.

Earnings per share rose to 11.47p (9.45p). An interim dividend of 5.35p, combined with Camas's interim, gave an unchanged total of 6.6p.

● COMMENT

ECC has cuts its workforce heavily in recent years, so should benefit quickly from any increase in volumes, even without hoped-for price increases. Analysts were pleased by signs that this operational gearing is already being demonstrated in Europe, but remain puzzled as to why the US paper industry seems to be recovering so slowly. With gearing of only 30 per cent, Mr Teare has plenty of elbow room to pursue his strategy of growing the speciality chemicals business by acquisition. Forecast full-year profits of £104m put the shares, down 10p to 381p yesterday, on a prospective multiple of 17. The premium to the market increases if one strips out the contribution to earnings from land sales. That seems reasonable, at least until the US situation becomes clearer.

Blenheim ahead to £19m but shares fall on French trading warning

By David Blackwell

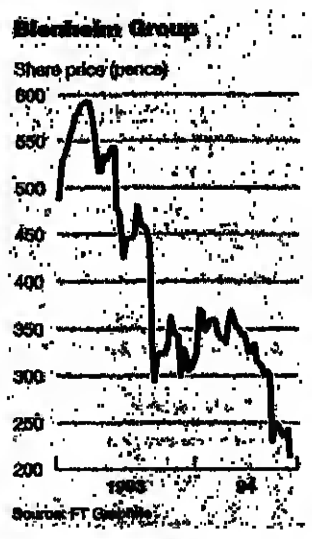
Shares in Blenheim Group, Europe's biggest exhibitions organiser, fell by 12 per cent yesterday as the group warned of persistent tough trading conditions in France.

The shares closed at 215p, down 28p, and almost half the year's high of 405p.

Mr Neville Buch, chairman, said that difficult trading conditions in France, which accounts for half of turnover in a full year, had intensified. "We should have reacted earlier," he said, warning that full-year results would be lower than budgeted.

In the six months to end-June, pre-tax profits increased from a restated £15.8m to £19.2m, while turnover grew from £82.5m to £99.7m. The latest figures included £2.3m of profit and £9.9m of turnover from acquisitions.

Mr Christopher Crowcroft, finance director, said that on a like-for-like basis operating profits were down 5 per cent, reflecting the French situation. Turnover from all acquisitions, including those completed last year, accounted for £16.2m of the total, while operating profits benefited by £4.1m.



In France business was down 11 per cent and the amount of space sold fell by 13 per cent. Margins declined from 19 to 15 per cent, compared with total group margins down from 24 to 22 per cent.

The decline in French business was reflected in a fall in the net cash inflow to £10m (£26.5m).

Mr Staffan Svenby, managing director, said that recession "struck a large part of our market and we were slow to react to what was going on. Customers were questioning the value of exhibitions, and when we convinced them they were worth doing they demanded increased value for money."

The group is now restructuring its French operations, cutting nine divisions down to four.

Business improved in the US, but margins fell from 32 to 25 per cent. In contrast the UK business increased margins from 13 to 20 per cent.

Net interest payable fell from £4m to £2.9m.

Earnings per share declined from 11.7p to 10.8p, reflecting an increase in the tax charge from 32 to 35 per cent and the low yield on the remaining cash from last year's £76m convertible preference share issue.

The interim dividend is increased from 3.4p to 3.5p.

● COMMENT

It will be some time before confidence in this stock can be restored. The management, now wearing hair shirts, clearly believed that exhibitions were relatively immune to recession. Their forecasts were too optimistic, and they were not quick enough to adapt to changing conditions. While that has all changed, it could be another six to nine months before any good news emerges from France. However, investors willing to gamble on a strong future for exhibitions might be attracted. If nothing else goes wrong, and earnings next year reach 23p, the discount to the market is around 25 per cent, and the yield is 6 per cent.

Devro at £14m seeks to expand range

By James Buxton, Scottish Correspondent

Devro International, the Scottish-based company which makes sausage casings out of the protein collagen, made pre-tax profits of £14.1m in the six months to June 30, a 17 per cent rise on the pro-forma figures of the corresponding period of 1993.

Mr Leon Allen, chairman, said the company was "continuing to progress as planned." It would continue to examine opportunities around the world "to extend and improve our product range."

Sales rose 3 per cent to £47.5m (£46.3m), of which 1 per cent was due to exchange rate factors.

Devro, which was founded by Johnson & Johnson, was floated on the stock exchange last year after earlier being bought out by its managers.

The company said it had done well in the first half in the UK, the US and the Australian markets, in all of which it has manufacturing plants. But it suffered a 19 per cent drop in sales in Japan, mainly because of recession.

New product lines are being brought out for the Japanese and Scandinavian markets. New manufacturing plant has been installed at Bellshill in Scotland to increase output of collagen film.

Devro is also testing a new product, aimed at the US market, for sausages of up to 45mm diameter, compared with its present limit of 30mm.

Despite increased raw material costs, operating margins rose from 27 per cent to 29.5 per cent. Interest received of £100,000 (£470,000 charge) reflected increased cash on the balance sheet of £9.2m, against £4.2m at December 31.

Earnings per share were 7.9p (6.4p) and an increased interim dividend of 2.35p is being paid (2.08p).

● COMMENT

Devro is a conservatively run company whose future lies in the gradual erosion by collagen of traditional gut sausage casing. To speed up the process it is developing several new products for its far-flung markets. Its results were in line with expectations, but the shares fell 19p to 230p on a poor day for the stock exchange. There was evidently some profit taking as the market realised that Devro's operating margin will have to be even more powerful to offset the rising tax charge of the next few years. Some analysts are questioning its growing cash pile, but Devro insists it is under no pressure to reduce it, though it does not rule out acquisitions. Analysts are sticking to their forecast of about £29.5m for the full year, meaning earnings per share of 16.5p and a prospective multiple of 14. That suggests a period of consolidation for Devro.

Co-op Bank aided by lower bad debt provisions

By Alison Smith

A combination of lower provisions for bad and doubtful debts and higher operating income helped Co-operative Bank to a 37 per cent rise in pre-tax profits for the year to late July.

As well as announcing the interim results, the bank sought to underline its commitment to service for customers by launching a guarantee in five areas of service where it will pay £10 compensation each time it fails to meet the standards it has set itself.

Pre-tax profits rose to £11.05m (£8.07m), while provisions fell by 15 per cent to £16.68m (£19.53m).

Mr Terry Thomas, managing director, said he expected provisions to fall further though the scale of reductions would depend on economic improvement.

He said that while Monday's 0.5 percentage point rise in the base rate would make balances held by the bank worth more, it would not give an opportunity to widen interest margins. He predicted continuing pressure on margins, suggesting that they might fall a further 0.1 percentage point in the second half of the year.

Despite the lower net interest margin of 4.5 per cent (4.8 per cent), net interest increased to £71.8m (£69.4m) partly as a result of higher retail loans and deposits.

Trevor Humphries

Terry Thomas: expected provisions to fall further

Non-interest income which includes commission from Visa, the card payment system, rose by £2.4m to £52.5m.

Expenses rose by 5 per cent to £96.4m (£91.9m), reflecting particularly an increase in costs from losing and relocating staff as a result of the bank's re-organisation. The bank is expanding the number of its automated banking kiosks from 16 to 30 by the end of the year, but does not expect to open any more branches.

Mr Thomas also said that the bank's five guaranteed service standards for its 2m personal customers covered areas such as dealing correctly with standing orders and direct debits, and swift decisions on overdrafts or personal loans.

It amounted, he said, to a challenge to the other banks to offer similar guarantees. The bank estimates there will be significantly fewer than 40,000 errors a year. He dismissed the promise made by Midland Bank of £10 compensation for each error made in transferring a customer's current account from another bank as a "nine days' wonder".

Defence of Enterprise offer cost Lasmo £24m

By Peggy Hollinger

Three leading financial institutions received about £16m in fees to defend the loss-making oil explorer, Lasmo, from a hostile £1.6bn bid by rival independent Enterprise Oil.

Schroders, Goldman Sachs and NatWest Securities were paid about two-thirds of the total £24m in bid costs, said Mr Joe Darby, chief executive. The rest went in charges such as legal fees.

The failed bid has cost shareholders in the two companies almost £50m. Enterprise disclosed last week that its costs, including an £18.8m writedown on the value of its 10 per cent stake in Lasmo, would come to £24m.

Lasmo's comments came as it announced first-half net losses of £22m, against a £22m profit last time.

While the bid costs appeared to push the company into the red, these were more than offset by a £36m gain on asset disposals. Turnover fell from £309m to £306m, partly due to the lower oil price.

The results were largely in line with analysts' expectations. Yet the market was impressed with the cost-cutting achieved in the period. Operating costs per barrel fell by 15 per cent to £3.70. Mr Darby said he expected average costs for the year to fall to between £3.50 and £3.55 per barrel.

By 1997, unit operating costs would be 25 per cent below 1993 levels.

Lasmo now had the financial strength to pursue exploration opportunities and to develop its existing reserves, he said. The company aimed to produce about 210,000 barrels of oil equivalent a day by 1996, against the current 167,000.

Gearing fell from 69 per cent to 37 per cent in the first half, largely due to a £319m rights issue in the spring. Mr Darby estimated that annual spending on exploration would average some £50m over the next three years.

Of the 14 wells drilled in the first half, eight were successful and included two substantial finds in Algeria. Development expenditure was static at about £117m (£119m).

There was no interim dividend (1.3p). The loss per share was 2.6p (2.8p profit).

● COMMENT

Lasmo yesterday painted a picture of a company which was confident in its strategy and future. The City was inclined to agree. However, even after all the surgery, the company's finding costs will still only be on a par with its rivals. This highlights a fundamental problem for exploration companies, such as Lasmo and Enterprise, which have much higher finding costs than the majors. After losses this year, Lasmo should be just back in profit in 1995, assuming oil prices of $18. In 1996, a rising production and earnings profile should lead to substantially improved profits. The most tempting aspect for some investors, however, might be the very real prospect of a foreign income dividend this year.

Woodchester plans to invest I£120m surplus

By Simon Davies

Woodchester Investment, the Dublin-based leasing and banking group, said yesterday that it had I£120m (£118m) of surplus capital which it planned to invest in its core business.

The surplus capital has proved a drain on earnings, as falling interest rates cost the group about I£3m at the interim stage, and resulted in a decline in pre-tax profits from I£16.4m to I£14.9m for the first half of 1994.

Mr Dan O'Connor, deputy group chief executive, said Woodchester was interested in expanding its UK operations through acquisitions. At present about 75 per cent of UK profits come from vehicle financing, with the remainder from small unit finance. The existing UK operations saw significant improvements in profits and new business during the period.

Woodchester is in a process of consolidation after a radical restructuring of its Irish operations, which resulted in I£15m reorganisation costs last year. The reorganisation followed a period of rapid expansion.

Mr O'Connor said the redundancy programme had been completed, and its provisions would be "more than adequate".

Credit Lyonnais increased its stake from 49 to 53 per cent during the period, and Woodchester said the French banking group was committed to developing its Irish subsidiary as its vehicle finance arm in Europe.

Woodchester is taking on Credit Lyonnais Leasing Europe's businesses in Denmark and Portugal, and is looking to extend its operations in other European markets.

It expressed confidence in the future by increasing its dividend by 16 per cent to 2.39p (2.06p), in spite of earnings falling from 6.37p to 5.53p.

Country Casuals chief quits over contract terms

By Peggy Hollinger

Country Casuals, the clothing retailer, yesterday announced the departure of its chairman and chief executive, Mr John Shannon, just a day after the group saw more than a fifth of its market value wiped out following a profits warning.

The group said Mr Shannon resigned when the board refused to extend his contract. It is believed that Mr Shannon, who was on a one-year rolling contract, had pressed for a two-year deal. He will be replaced as chief executive by Mr Mark Bunce, finance director. Mr Tom Adam becomes non-executive chairman.

Mr Shannon was one of three directors who bought Country Casuals from Coats Viyella as part of a management buy-out in 1989. He was on a salary of £106,000 with a one-year rolling contract, and is expected to receive a payment of at least £145,000.

W Canning doubles to £3.64m at midway

By Caroline Southey

W Canning, the speciality chemicals company which sold its electronic components distribution division in July, doubled pre-tax profits to £3.64m at the interim stage.

The Birmingham-based company reported increased turnover for the six months to June 30 of £60.9m (£56.1m), including £34.9m (£33.1m) from speciality chemicals and £26.1m (£19.8m) from electronic components distribution.

Mr David Probert, chairman, said that as a speciality chemicals company, Canning intended "to remain in and close to its core businesses, which are capable of significant organic growth."

The company was in a strong position to finance this growth and to make acquisitions "if suitable opportunities arise."

At the end of the period net borrowings were £10.2m.

The group's chemicals division raised operating profits from £2.95m to £3.29m. The sale of the electronics components side, which made £1.22m (£777,000), will lead to a £13m exceptional loss in the 1994 accounts, related to goodwill.

The interim dividend is again 2.94p. Basic earnings per share rose to 7.5p (2.1p). Last year's figure included an exceptional item of 3.3p.

Flotation values Compel at £19m with 125p share price

By Richard Wolffe

Shares in Compel Group were priced at 125p per share yesterday in a placing with institutional investors which values the computer systems and services company at £19.07m.

The group is issuing 2.48m new shares to raise £3.1m, with existing shareholders selling 4.12m shares worth £5.15m. Directors and their families will retain about 24 per cent of the enlarged share capital.

Mr Neville Davis, chairman and chief executive, said: "this is funding working capital needs which the business requires to keep growing. We have made acquisitions over recent years and continue to look for more, but we have nothing in mind at the moment."

Compel intends to expand its sales force at its existing UK network of seven offices, with a new office planned to open in the City.

The proceeds of the flotation provide a partial exit for Compel's venture capital investors, 3i and Lloyds Development Capital. It is also expected to boost the share option scheme for employees, a third of whom are already shareholders.

The company, which focused on corporate clients after a management buy-out in 1987, provides computer systems to blue chip and public sector customers including Glaxo, Manchester City Council and the Post Office.

The group announced a sharp increase in pre-tax profits from £604,000 to £2.06m in the year to June 30, following a wide-ranging restructuring which saw staff numbers cut by 14 per cent to 227. In the same period, turnover rose from £43.8m to £54.5m, with operating profit lifting from £898,000 to £2.36m.

At the placing price, the historic p/e ratio is 12.06, with a notional dividend yield of 4 per cent.

The issue is sponsored and fully underwritten by Société Générale Strauss Turnbull Securities, which is also the broker to the placing.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Assoc Brit Ports	int	2	Nov 2	1.75*	-	[illegible]
Blenheim	int	3.5	Dec 15	3.4	-	10.25
BZW	fin	3.3	-	3.3	7.8	[illegible]
Calor	int	6	Dec 30	6	-	12.5
Camas	int	1.25	Dec 9	-	-	[illegible]
Canning (W)	int	2.94	Dec 30	2.94	-	[illegible]
Capital Inds	int	2.1	Dec 2	2	-	[illegible]
Devro	int	2.35	Oct 28	-	-	[illegible]
ECC	int	5.35	Dec 9	6.6	-	20
Fleming High Inc	int	1.1☆	Oct 8	1.1	-	[illegible]
Fleming Overseas	fin	2.75	Oct 28	2.7	4.25	4.2
F&C High Income	fin	1.5	Oct 28	1.42	2.7	2.62
Gent (SR)	fin	1.35	-	1.35	2.25	2.1
Kleinwort Small	int	1.1	Nov 1	1.5	-	3.5
Lambert Howarth	int	2.25	Oct 27	2.25‡	-	6.875‡
Lasmo	int	nil	-	1.3	-	[illegible]
Lincat §	fin	4.7	Nov 4	4	6.9	[illegible]
London Forfait	int	3.2	Oct 28	3.2	-	[illegible]
Polypipe	fin	1.59	Nov 8	1.44	2.3	2.1
Prudential	int	4.9	Nov 24	4.5	-	[illegible]
Roskel	int	1.3	Nov 30	1.3	-	[illegible]
Rugby Estates	int	0.69	Nov 16	-	-	[illegible]
Stat-Plus	int	4.32	Nov 4	4	-	[illegible]
Try	int	0.5†	Oct 31	0.5	-	[illegible]
Vardon	int	0.375	Nov 18	0.3-	-	[illegible]
Woodchester	int	2.39‡	Nov 16	2.08	-	[illegible]

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆For first three months. ‡Adjusted for subdivision. *Adjusted for scrip issue. ‡Irish currency

Radical restructuring of port operations helps achieve 29% rise

AB Ports advances to £38m

By Simon Davies

Associated British Ports continued to benefit from the radical restructuring of its port operations, with taxable profits rising 29 per cent on a 7 per cent increase in port revenues.

The port operations' workforce has fallen from 9,500 to 1,800 since 1983, and with its reduced and largely fixed cost base, increasing revenues flow comparatively directly into profits.

Pre-tax profits for the six months to June 30 amounted to £38m, up from £29.4m, despite only a £1.8m increase to turnover to £99.4m.

Severence costs fell from £4m to £800,000, with 30 lay-off's so far this year. However, there were no fixed asset sales, which had provided £1.5m of profit in 1993.

A number of high turnover operations have been closed, but the porte saw total throughput tocrease by 4 per cent during the period, rising from 53m to 55m tonnes.

Sir Keith Stuart, chairman, was up-beat about the performance, saying: "prospects for the group are excellent, with our ports well placed to take advantage of the upturn in the UK economy and expanding world trade".

Ashley Ashwood

Sir Keith Stuart: prospects for the group are excellent

The Southampton Container Terminals, jointly owned with P&O Containers, saw a 22 per cent increase in container throughput, and trans-shipment cargo rose 50 per cent, as it took business from other European ports.

Profits from port operations rose from £28.4m to £35.7m, and income from the leasing of port-related property and land increased from £10.2m to £11.1m.

The company has invested consistently in its port and transport facilities, and plans to maintain annual capital expenditure at between £50m and £60m.

During the period, it invested £23m. Net borrowings rose to £349m (£346m at December 31); however, gearing fell from 52.5 per cent to 51.4 per cent, and uncapitalised interest costs were £15.2m (£17.1m).

Property investment tocome rose from £5.4m to £5.8m, in spite of the impact of last year's property sales.

Property development profits fell from £1m to £600,000, but the sales programme is likely to accelerate over the next one to two years, as ABP refocuses on property adjacent to its port operations.

The interim dividend is being increased from 1.75p to 2p, with earnings per share of 7.6p (5.9p).

● **COMMENT**

First lt was obstructive labour practices, and then its dabbling in the property market, but ABP's future is now looking better than ever. With high operational gearing, profits will rapidly outpace a steady recovery in revenues. ABP should continue to win business from the continent and smaller British ports, while trade continues to expand with the growing economy. Analysts are looking for up to £78m profits for the full year, putting the shares on a premium p/e rating of 17.4. Given the strength of core earnings, and the renewed potential for property profits, there should be more growth to come.

£4m loss at Gent after retail withdrawal

By Richard Wolffe

A withdrawal from retail activities led to pre-tax losses of £4.28m at SR Gent, the Marks and Spencer garment supplier, for the year to June 30.

The group reported a downturn from pre-tax profits last year of £2.52m, despite turnover rising 7 per ceot from £120.5m to £129.3m.

Retailing losses stood at £10.5m, including a provision of £7m of exceptional costs to cover the sale of Susan Woolf, a chain of women's fashion stores.

However, the group's core business of garment prodnction posted a 20 per cent rise in operating profits to £7.12m (£5.93m), while turnover rose just 1 per cent to £117.5m (£116m).

Mr Peter Wolff, chairman, said the Barnsley-based group was completing a strategy of moving 50 per cent of its garment production overseas. The company owns 25 per cent of a manufacturing company in Sri Lanka, with a workforce of 14,000. "We are going back into our core business of manufacturing," he said.

Demand from Marks and Spencer is expected to rise this year as the group enters the menswear clothing market for the first time. The company has also seen growing demand for cinema-related merchandising in children's clothes.

The pre-tax profits figure was struck after net interest charges np from £1.93m to £2.4m, although the share of associates' profits rose to £758,000 (£430,000 losses).

The shares closed np 6p at 75p yesterday. Earnings per share fell from 3.2p into a loss of 12.6p this year after exceptional costs.

The final dividend was again 1.35p for a total of 2.25p (2.1p).

Polypipe maintains growth with 20.5% rise

By Peter Pearse

Polypipe, the manufacturer of plastic pipes and fittings and other domestic plastic products, yeeterday announced results whicb continue its unbroken run of successive annual profit increases since its 1985 flotation.

Pre-tax profits for the year to June 30 grew 20.5 per cent to £20.6m (£17.1m) on turnover ahead 21 per cent at £145.4m (£120.5m). Operating profits rose 20 per cent to £20.9m (£17.4m), before unchanged net interest payable of £300,000. The shares rose 5p to 144p yesterday.

Mr Kevin McDonald, chairman, managing director and owner of 21.2 per cent of the group, ascribed the maintenance of margins to three essential factors.

First, he spoke of "the group's consistent strategy of investment to a substantial and continuing capital expenditure programme". In the year this rose to £15.3m (£12.5m), against depreciation of £8.9m (£7.2m). Planned expenditure for the current year was £12.5m, with, said Mr Bryan Stock, finance director, "£5m to £6m on plant, £3m on tooling, £1m on buildings and the rest on lorries".

Second, on the expansion front, the group bought Allerton Glass – now merged with GCA Windows – in June 1993, and last May it spent up to £10.1m on Janoplast, the Alsace-based manufacturer with 11 per cent of the French plastic conduit market.

The French company, Polypipe's entrée into Europe, contributed £1.9m to group sales in the year. It exports 9 per cent of its turnover, taking Polypipe beyond the French and into the Belgian, Czech, German and Swiss markets.

Third was the group's "ever-expanding range of products". Part of the motive for this is the search to make products to the same specification bnt using less raw material. Mr McDonald said price rises of PVC of 20 per cent or more had led the group to lift its own selling prices.

Polypipe had no gearing at the year-end and cash balances of £1.6m (£6.7m).

Earnings rose 19 per cent to 8.83p (7.4p) and the recommended final dividend is raised 10 per cent to 1.59p for a total of 2.3p (2.1p).

● **COMMENT**

The biggest question exercising the City over Polypipe is: can it forever pass the rises in raw material prices on to its customers? The answer seems to be yes, for now. PVC accounts for 45-55 per cent of the group's selling prices, but Polypipe does scour the earth for cheaper supplies. Polypipe is also sensible in the way that some 60 per cent of its capital expenditure goes toto profit generating areas, with the figure rising to 70 per cent in the current year. The recovery in the refurbishment market, echoed by Caradon on Tuesday, should take the eye off flattish profits at Janoplast for a year or two. With forecast pre-tax profits for the year at £24m, the shares are on a multiple of 14, in line with the sector, but perhaps with more to play for.

Argent £448,000 in black

By Simon London, Property Correspondent

Argent, the property investment and development company which made its Stock Exchange debut in May, reported a pre-tax profit of £448,000 in the six months to the end of June against a loss of £1.2m last time.

However, last year's figures did not include profits from Argent's portfolio of investment properties which were held off-balance sheet in joint ventures until March.

Yesterday's result includes rents and interest payments on this portfolio from March 11, the date of consolidation. Rental income amounted to £3.98m in this period and interest costs £3.08m.

Administrative expenses at £1.15m (£647,000) were higher as a result of the additional staff costs and expenses arising from quoted company status.

Mr Peter Freeman, joint chief executive, said he expected administration costs for the full year to be about £2.5m. Earnings per share were 1.3p.

Since flotation Argent bas complete two large deals. At its Brindleyplace development in central Birmingham, the company let 120,000 sq ft of office space to British Telecommunications on a 15-year lease and acquired an adjacent 170,000 sq ft building – also let to BT – for £5.1m.

British Airways Pension Fund has agreed to finance the development of an additional 68,000 sq ft office building at Brindleyplace.

At the end of last month, Argent acquired 28 acres of land at the Thames Valley Business Park in Reading for £17.4m and immediately sold seven acres for £5.8m.

Mr Freeman said that the company was constdering development options for this site.

The shares closed down 2p yesterday at 273p, well above the offer price of 255p in May.

London Forfaiting declines to £7.34m

By Christopher Price

Lnndon Forfatting, the specialist trade finance group, yesterday reported a 30 per cent drop in pre-tax profits from £10.5m to £7.34m for the first half of the year.

The company blamed volatile conditions in the eurobond market, particularly in the emerging markets, for the downturn. Trading income declined 5.5 per cent to £14.7m (£15.5m), while earnings per share fell from 8.03p to 5.33p. The interim dividend is maintained at 3.2p.

Mr Jack Wilson, chairman, said that the core export finance business, which is involved in making fixed-rate loans, had performed well.

In particular, the eastern European export market had turned np, and the company was continuing tn see good returns from its financing of European exports tn Asia and South America. To this end, the group had opened an office in Stockholm to tap the Swedisb export finance market.

The transferable loans business was another bright spot. New loans worth more than $1bn had been arranged so far this year for Asian borrowers.

These inclnded London Forfaiting's first foray toto the Japanese market with a $100m transferable loan for Takefuji Corporation. There was also a $170m floating note facility for a Bangkok bank. More than 80 per cent nf the company's revenues are earned overseas.

However, Mr Wilson said that the continning uncertain bond market conditions made it impossible to give a prediction on current trading. The fall in profits had been well flagged by the company, which had warned at the annnal results of tough trading conditions, but came in ahead nf market expectations. The shares climbed 11p to 175p.

Northern motor retailers merge

By Chris Tighe

Two of north-west England's best known motor industry retailers, Ron Stratton and Company, based in Knutsford, Cheshire, and Ian Anthony, of Bolton, Greater Manchester, have merged.

Ron Stratton concentrates on low mileage specialist cars such as Ferrari, Rolls Bentley, Mercedes and Porsche, while Ian Anthony is a BMW dealership.

Mr Stratton and Mr Jon Crossley, his sales director, will joto the expanded Ian Anthony (Holdings) board of directors beaded by Mr Ian Blenkinsop, founder and managing director of Ian Anthony.

Mr Stratton and Mr Blenkinsop are equal partners in the merger. Their current operations have a combined annual turnover of £25m.

Montague Private Equity has taken a minority shareholding in Ian Anthony (Holdings) and will help to fund a new showroom offering the range of cars in which Stratton specialises, alongside Ian Anthony's existing Bolton BMW showroom.

The Knutsford operation will continne to trade under tbe name Ron Stratton and Company.

Over a period of 20 years Mr Stratton, whose past customers include the Al Fayeds, Mr Eddie Shah and ex-Beatle George Harrison, built up the largest Ferrari and Rolls Royce dealership outside London before selling out to Pendragon in 1991.

NEWS DIGEST

Capital Inds up slightly at £2.5m

Pre-tax profits at Capital Industries, the financial services and packaging materials group, edged ahead from £2.41m to £2.51m in the first half of 1994, a period of consolidation, said Mr David Rhead, the chairman.

The industrial side contributed operating profits of £2.62m (£2.52m) on turnover of £35.8m (£32.4m) while financial services contributed a static £282,000 on sales of £2.8m (£2.23m).

Earnings per share improved from 6.9p to 7.2p and the dividend is lifted to 2.1p (2p).

Caird cuts losses

Caird Group, the waste management company, yesterday bore out the chairman's year-end forecast that a recovery was under way, reporting a reduced pre-tax loss of £241,000 for the six months to end-June.

The improvement, achieved on turnover down from £8.79m to £7.75m, compared with a deficit of £25.1m. At the operating level there was a profit of £281,000 (£1.27m loss).

The group's bankers have waived interest during the period and have accepted instead a profits-related payment for the two years to December 1995. Consequently the interest charge this time was cut to £522,000 (£749,000).

Losses per share were 0.42p (45.55p).

Lambert Howarth

Shares in Lambert Howarth Group fell 7p to 143p yesterday after pre-tax profits tumbled from £784,000 to £412,000 in the first half of 1994.

Turnover was £2.7m higher at £31.4m, with the greater part attributable to acquisitions on safety footwear. Earnings per share fell to 3.1p (6.9p) but the interim dividend was held at 2.25p.

Roskel edges ahead

Roskel, the specialist suspended ceilings contractor and partitioning and ceilings distribution group, reported pre-tax profits marginally ahead from £526,000 to £532,000 for the six months to end-June.

Group turnover for the period was up at £23.7m, against £21.7m which included £1.45m from discontinued activities. Earnings were 2.34p (2.23p) per share and the interim dividend is maintained with a 1.3p distribution.

Stat-Plus static

Stat-Plus Gronp, the legal stationery, printing and publishing gronp, turned in virtually unchanged pre-tax profits of £1.81m for the first half of 1994, against £1.82m last time.

Sales rose by 3 per cent to £6.2m. Earnings per share were 5.6p (5.7p) and the interim dividend is raised to 4.32p (4p).

Try jumps to £0.25m

Try Group, the construction and bousebuilding company, reported a jump in pre-tax profits from £68,000 to £252,000 in the half year to June 30. For 1993 there were losses of £2.17m.

Turnover of continuing operations slipped to £60.1m (£61.9m) but operating profits rose from £335,000 to £486,000.

Earnings per share came through at 0.34p (0.06p) basic and 0.37p (0.11p) fully diluted. The interim dividend is held at 0.5p.

Era loss at £2.26m

Era Group, the specialist retailer and distributor, reported slightly reduced pre-tax losses of £2.26m against £2.59m for the six months to June 30.

Turnover was flat at £29.1m (£29.2m). Losses per share came through at 0.72p (2.91p restated).

Arlen turns in £1.2m

Arlen, the electrical manufacturer and distributor, has achieved a pre-tax profit of £1.21m for the first half of 1994 on sales from continuing operations of £15.1m.

Earnings per share were 1.1p. The company, wblch came under the control of a new management team a year ago, said comparisons were difficult since the business has been reorganised and the year end changed. But it stated that for the nine months to December 31 1993 there was a loss of £6.81m.

Lincat 17% ahead

Pre-tax profits of Lincat, the USM-quoted designer and manufacturer of commercial catering equipment, advanced by 17 per cent from £1.39m to £1.63m in the year to end-June.

The improvement was achieved on turnover up from £14.1m to £15.7m. Earnings per share came out at 15.8p (14p) and the final dividend is being raised to 4.7p (4p) making 6.9p (6p) for the year.

Intl Biotechnolgy

International Biotechnology Trust, which was launched in April, reported a net asset value per share of 96.24p at the end of August.

Net revenue for the period ended August 31 was £190,886 and earnings per share came to 0.51p.

Middlesex advances

Middlesex Holdings turned round an £81,000 loss into a pre-tax profit of £1.57m in the first half of 1994 on sales up sharply from £558,000 to £12m.

The company said considerable progress had been made in providing support services to natural resource industries to the Commonwealth of Independent States.

Earnings per share for the period came to 0.23p (0.04p loss).

Rugby Ests doubles

to its first results since its flotation in April, property company Rugby Estates has reported pre-tax profits more than doubled from £305,000 to £770,000 for the six months to June 30.

Turnover of £3.86m (£1.82m) included £2.74m (£1.08m) from property sales.

The interim dividend is 0.69p, as forecast at the time of the placing. Earnings per share came to 4.46p (4p).

Since flotation, the company has made purchases totalling about £10m.

Swalec buys shares

South Wales Electricity has bought back a total of 300,000 of its shares, 100,000 at 819p and the rest at 817p. The shares fell 4p to 815p.

Fleming High Inc

Net revenue at Fleming High Income Investment Trust fell from £415,000 to £297,000 for the three months to July 31. Earnings per share were 0.92p, against 1.29p and the first interim dividend is unchanged at 1.1p.

Net asset value per share was 98.9p at the end of tbe period compared with 99.4p a year earlier.

F&C High Income

Net assets of Foreign & Colonial High Income Trust dropped by 7 per cent from 70.7p to 65.8p over the year to June 30.

Net revenue dropped from £825,000 to £653,000 and earnings per share came to 2.18p (2.75p). The recommended final dividend is 1.5p for a total of 2.7p (2.62p).

Fleming Overseas

Fleming Overseas Investment Trust increased net asset value per share by nine per cent from 306.6p to 334.6p in the year to June 30.

Net available revenue came out at £6.25m (£6.35m) and earnings per share were 4.7p (4.78p). The recommended final dividend of 2.75p (2.7p) makes a total of 4.25p (4.2p).

Cortecs

Cortecs, the Australian biotechnology company which recently gained a London listing, reported net losses of A$10.5m (£5m) for the year to end June, against a deficit of A$10. Operating revenue was A$10.6m (A$11.9m). Losses per share were unchanged at 13 cents.

Castle Comms

Castle Communications, the USM-quoted record and video publisher which last month was acquired by Alliance Entertainment of the US, reported pre-tax profits up from £1.53m to £2.13m for the year to June on turnover up from £33.4m to £34.

Earnings emerged at 19.8p (15.3p) per share. This year's final dividend is passed leaving the total for the year at 4.5p, against 8.5p.

Sage acquisition

Dataform UK, the forms offshoot of Sage Group, is buying Leslie Cantrell for £750,000 cash. Net assets being acquired are £150,000 and profits of £150,000 are warranted for the year to August 31 1994.

Courtaulds

In the aerospace survey published on September 2, it was wrongly stated that Courtaulds had withdrawn from the manufacture of carbon fibre composites. The company stopped manufacturing carbon fibre raw material in 1991 but through its Courtaulds Aerospace subsidiary remains an active snpplier of edvanced composites to the aerospace and defence industries.

PUBLIC WORKS LOAN BOARD RATES
Effective September 12

Years	Quota loans* "Lower" quota rates EPT†	ANT‡	maturity§	"Higher" quota rates EPT†	ANT‡	maturity§
1			6⅝			8½
Over 1 up to 2	6¾	6¾	7¾	6⅞	6⅞	7⅞
Over 2 up to 3	7½	7½	8⅜	7⅝	7⅝	8½
Over 3 up to 4	8	8⅛	8¾	8⅛	8¼	8⅞
Over 4 up to 5	8⅜	8⅜	9	8½	8½	8⅛
Over 5 up to 8	8½	8⅝	8⅛	8⅝	8¾	8⅛
Over 8 up to 7	8¾	8¾	9⅛	8⅞	8⅞	9⅜
Over 7 up to 8	8⅞	8⅞	9¼	9	9	9½
Over 8 up to 9	8⅞	9	9¼	9	9⅛	9½
Over 9 up to 10	9	9⅛	8¼	9⅛	9¼	8⅜
Over 10 up to 15	9¼	9¼	8¼	9½	9⅜	9⅜
Over 15 up to 25	9½	9¼	9	9⅝	9⅜	9⅜
Over 25	9⅜	8	8⅞	9½	9⅜	9⅜

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Aegis rises to £14m aided by refinancing

By David Blackwell

Last Octobar's £60m refinancing package was behind a sharp improvement in interim pre-tax profits at Aegis, the London-based holding company of Europe's largest media-buying and planning group.

The pre-tax figure rose from £9.7m to £14.2m on flat turnover of £1.45bn. Interest tumbled from £11.6m to £900,000.

However, operating profits for the six months to June 30 fell by 27 per cent from £21.3m to £15.5m. The fall, which more than offset a reduction in operating costs to £54.8m (£59m), reflected a decline of just over £10m in gross income in France, where a law introduced last year slashed media-buying revenues.

Mr Roger Parry, group development director, said the figures had been transformed by the refinancing. "They reflect no significant improvement in trading, but they do show a significant improvement in the balance sheet."

The shortfall in shareholders' funds improved from £229m to £115m. Net debt at the end of the half was down 81 per cent at £26m (£137m).

However, net cash outflows of about £30m were expected in the second half, including payment of a £4.2m fine to the Conseil, or French monopolies commission, for trading practices before the Loi Sapin was introduced last April. This would result in net debt reaching about £50m at the year end.

The group remains extremely cautious over prospects in France. introduced French business produced 27 per cent of turnover and more than 30 per cent of profits.

Colin Beere

Charles Hochman: retiring as chief executive officer next month

Operating margins overall fell from 5.5 per cent to 4.9 per cent in the period, reflecting the "cut-throat competition" in both France and Spain.

Northern European business was better, particularly in the UK, where turnover rose 30 per cent.

Earnings were 1.1p (2.2p). There is no dividend this year.

Mr Crispin Davis, formerly with United Distillers, takes over as chief executive next month from Mr Charles Hochman, who is retiring. Shortly afterwards a new finance director will be appointed.

● COMMENT

The benefits of last October's refinancing are clearly shown. Aegis now looks much more financially sound and a raft of naw appointmants will strengthen management. With operating costs coming down, the company is well poised to take advantage of any improvement in southern Europe once recession ends, although it is being extremely cautious in its forecasts and the pressure on margins is severe. It is continuing to win good new business, so the flatness of the turnover is a little disappointing.

Full-year profits of £28m this year and £30m for 1995 both translate into unexciting earnings of about 2p since the tax charge will increase.

Advance by bingo clubs helps Vardon to £1.54m

By Caroline Southey

A strong performance from bingo clubs helped Vardon, the leisure group which also owns the London Dungeon, increase pre-tax profits from £540,000 to £1.54m at the interim stage.

Vardon's visitor attractions also advanced strongly, contributing £7.52m (£5.44m) to total turnover of £12.7m (£6.45m) in the six months to the end of June. The bingo division contributed £5.16m (£1.02m) to sales while operating profits rose from £79,000 to £946,000.

"Our strategy of developing purpose-built, edge-of-town, high quality facility bingo clubs is proving correct. The new clubs are attracting younger and more affluent players," Mr David Hudd, chairman, said.

Vardon runs 11 bingo clubs, five of which have been specially built on the outskirts of towns, mostly near shopping complexes with parking facilities. The company has plans for four new clubs, including one in Croydon which will be the biggest in the UK with a capacity for 3,200.

The attractions division, which includes 15 sea life centres, a Cornish seal sanctuary and the London and York Dungeons, saw operating profits rise from £1.1m to £1.3m. Mr Hudd said the new sea life centres in Tynemouth and Newquay were trading well, although the hot, dry weather had led to a mixed performance from indoor coastal attractions.

Three new sea life centres are planned, including a £4.4m aquarium at Brinley Place in the centre of Birmingham which the company expects will attract 400,000 customers a year. The London Dungeon attracts 550,000 annually.

Vardon committed £11m to its development programme in 1994, £6m of which fell in the first half. The company will end the financial year with borrowings of £5.5m and gearing of 16 per cent.

An interim dividend of 0.375p (0.3p) will be paid. Earnings per share rose from 0.7p to 1.5p.

Suffering a saturated market

Neil Buckley looks at the tough conditions facing the DIY retailers

An increase in operating profits from £41.6m to £44.5m at B&Q, the UK's largest DIY chain, was one of the few bright spots in Tuesday's results from Kingfisher group. Elsewhere, however, there is little joy among DIY retailers.

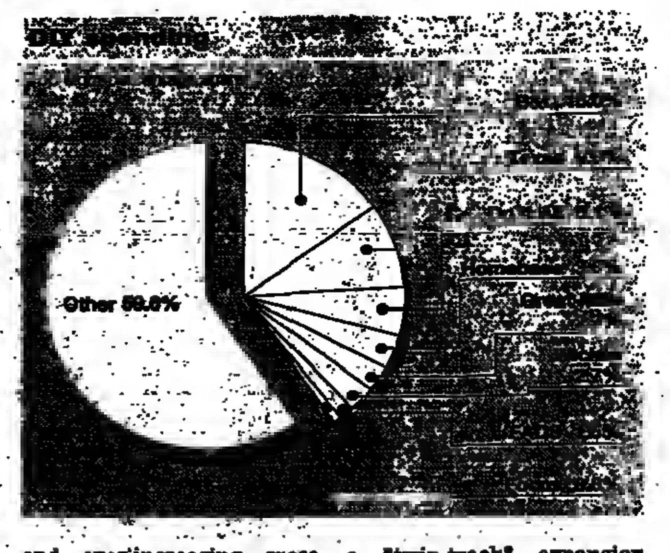
The fierce discounting battles that broke out in 1992 after the slump in the housing market are over. B&Q moved last year from "high-low" pricing towards an everyday low pricing strategy, bringing to an end the weekends when DIY operators battled to outdo one another on special offers.

But conditions remain tough. Little market growth is forecast, and analysts agree there is too much capacity – with more being added as operators such as Wickes, Great Mills and Sainsbury's Homebase step up expansion.

Little capacity is likely to be taken out. Do It All, the loss-making joint venture between Boots and WH Smith, did sell 100 stores this year – reducing the chain to 140 – but 10 of those went to Focus, the privately-owned DIY chain preparing for flotation.

On the horizon is another threat: Home Depot, the US "category killer" which sells a vast range from giant stores at low prices, is planning to expand into Europe. It has hired Mr Jim Hodkinson, former managing director of B&Q, to seek out opportunities.

The outlook is very different from a decade ago. In the 1980s, DIY operators, like the big food retailers, enjoyed the double whammy of rapid expansion and ever-increasing gross profit margins.



The number of DIY superstores almost doubled from 560 to 1,019 between 1985 and 1990, according to Verdict, the retail research group. At the same time, according to the Central Statistical Office's Retailing Inquiry, DIY retailers' gross margins increased from 30 per cent to 34.5 per cent.

But, again like the big grocers, DIY retailers ran into saturation problems just as the growth in the market slowed. To prosper in the new environment, DIY operators are seeking ways of being distinctive, often choosing to specialise in the "soft" end of the market – decorative and gardening products – or the "hard" end – hardware, tools and construction products.

B&Q aims to be a broad-based retailer, and is adopting a "twin-track" expansion approach.

It has sought to pre-empt the arrival of Home Depot by launching a lookalike format, originally called Depot but now known as B&Q Warehouse. B&Q has 14 Warehouse stores of 80,000 to 100,000 sq ft, and plans at least 50. Mr Alan Smith, Kingfisher chairman, said this week the two newest Warehouses are already on track to achieve sales of between £14m and £15m in their first year.

At the same time it is refurbishing its existing 40,000 sq ft "supercentres", based on a successful trial at Fareham, Hampshire.

Analysts' favourite stock in the sector is Wickes, which, like B&Q Warehouse, is targeted partly at trade customers. Wickes also took advantage of signs of recovery in the housing market at the end of last year to reduce prices indefinitely on 1,000 product lines. Interim profits more than doubled from £4.1m to £8.76m.

Unlike B&Q, however, which sells mainly proprietary brands, Wickes sells mainly own-label products, which have earned a strong reputation for quality.

Own-label is an important component in the strategy of Sainsbury's Homebase, another format favoured by analysts. Homebase has an upmarket image, and "softer" range.

The remaining two of the biggest five chains are finding life more difficult. First-half profits at Texas Homecare fell from £16.6m to £2m. Texas, which had become a specialist in home adornment, is testing a "harder" format.

Do It All faces the most difficulties, although co-parent WH Smith last month announced that interim losses had fallen from £14.3m to £10.5m following the chain's rationalisation.

What was supposed to be the way ahead for Do It All, its New Trading Concept format, did not meet expectations, and is being replaced by the Project Focus Store. This has a "softer" feel and does not group products so rigidly into DIY project categories as the NTC format.

WH Smith and Boots say Do It All should return to profits in the next financial year. It would be helped – as would all DIY chains – by a substantial upturn in the housing market. For the moment, there seems little sign of that.

Cold winter and cost cuts behind advance at Calor

By Peggy Hollinger

A cold winter and cost-cutting helped Calor Group, the bottled gas suppliar, increase interim pre-tax profits by 13 per cent from £27.6m to £31.1m in spite of a 3 per cent drop in turnover from £153m to £148m.

Mr Hamish Macpherson, group treasurer, said the cold snap between January and March had helped to improve volumes, which rose by 6 per cent. "People were keeping the gas fires burning a little bit longer," he said.

However, the benefits of improved volumes were offset by lower butane and propane prices. The trading climate remained difficult, Mr Macpherson said, although the decline in prices had begun to stabilise.

The treasurer said Calor had maintained its more than 50 per cent share of the UK liquid petroleum gas business, despite fierce competition.

Calor's profits were also helped by the continuing programme to cut costs. Since 1990, Mr Macpherson estimated the group had cut some £10m a year from on-going costs. Operating profits in the first half rose by 9 per cent to £30.3m. Profits in the core gas business increased by 6 per cent to £31.4m.

The group finished the first half with net cash of £60m. Calor's strong balance sheet would allow it to seek acquisitions abroad in its main LPG business. Mr Macpherson said Calor would look for opportunities both with its 46 per cent shareholder, SHV, and independently.

The LPG joint venture with SHV in Poland, Hungary and Slovakia was breaking even. Calor invested £800,000 in the business in the first half.

The drinks dispensing operation – where Calor leases air separation systems to brewers and pub chains – reduced its losses from £1.6m to £1.1m. This business was expected to break even next year.

The dividend is maintained at 6p. Earnings were 13 per cent higher at 11.7p (10.4p).

● COMMENT

These results are yet again a demonstration of how value can be extracted from the LPG market – even if it is a mature one. By passing on the benefits of increased purchasing to customers, reducing costs and holding margins, Calor has built itself a net £60m cash pile. The problem now is what to do with it. There are likely to be few exciting opportunities to buy into the international LPG market, and those that are around will take some time to develop. Shareholders facing little excitement in the short-term will be wanting to see some of that cash find its way into an increased dividend. Forecasts are for just that. Profits are expected to rise to £37m this year, along with a small boost to the payout of 0.5p for a total of 13p. The yield of almost 6 per cent against the market's 4 per cent is Calor's biggest attraction.

Savoy in black with £0.58m

By Michael Skapinker, Leisure Industries Correspondent

Savoy Hotel, which announced a new management structure on Tuesday, yesterday reported pre-tax profits of £575,000 for the half year to June 30 compared with losses of £1.75m.

The group – whose hotels include the Savoy, Claridge's, the Connaught and the Berkeley. – said business had been boosted by recovery in both the US and the UK. Operating costs had increased, however, partly because of rising terrorism insurance expenses.

Savoy said on Tuesday that Sir Ewen Fergusson would replace Sir Anthony Tuke as chairman at the end of the year. It said Mr Martin Radcliffe, a Savoy director, would be acting managing director in place of Mr Giles Shepard, who resigned on Monday. Savoy has approached Mr Ramon Pajares, general manager of London's Four Seasons hotel, to fill the position.

A chairman's committee made up of Sir Ewen, Mr Rocco Forte, chairman of Forte, and Mr John Sinclair, a Savoy director, would assist the new managing director.

Savoy said Mr Radcliffe, Mr Sinclair and Mrs Jane Thorne, an assistant to Mr Radcliffe, had resigned as trustees of shareholding trusts. They no longer have non-beneficial interests in the shares held by these trusts. This does not affect the overall ownership of the group.

Turnover for the six months increased by 13 per cent to £42.9m (£37.8m). There was an operating profit of £1.13m (£1.61m loss).

Earnings per A share were 1.3p (4p losses). Earnings per B share were 0.6p (2p losses).

The A shares fell 12p to close at 913p.

Powergen buy-back

Powergen has repurchased 2.5m of its own shares for cancellation, bringing the total spent over the last month on buy-backs by the privatised power generator to more than £27m.

Several of the electricity companies have been buying back their own shares in recent weeks.

The buy-back was achieved at a price of 573p per share and leaves Powergen with 0.6 per cent of its share capital for cancellation.

The company has the power to purchase up to 10 per cent of its shares.

Holiday Inn hotels brand change

By Michael Skapinker, Leisure Industries Correspondent

Holiday Inn is to remove its name from its luxury Crowne Plaza hotels which will now be marketed as a separate brand.

The change will apply initially to Crowne Plaza hotels in the Americas only. However, Mr Bryan Langton, Holiday Inn chairman, said he expects the change to be extended to the rest of the world eventually. This would follow consultation with hotel owners in Europe and Asia, he said.

Mr Langton said the decision followed market research which indicated that the Holiday Inn brand should not be extended to top-range hotels.

The company, which is owned by Bass, the UK brewing and leisure group, is also introducing two new hotel brands in the Americas. The first is Holiday Inn Select, which will consist of business hotels in cities and suburban areas. The second will be Holiday Inn Hotel and Suites which will cater for longer-stay guests.

● Mount Charlotte Thistle, the UK hotel company which is majority owned by Brierley Investments of New Zealand, is to market its Thistle and Mount Charlotte hotels as two separate groups.

The holding companies for the hotels will be Thistle Hotels and Mount Charlotte Hotels and the holding company for both will be Mount Charlotte Investments.

Credit Lyonnais withdraws from UK personal banking

By Alison Smith

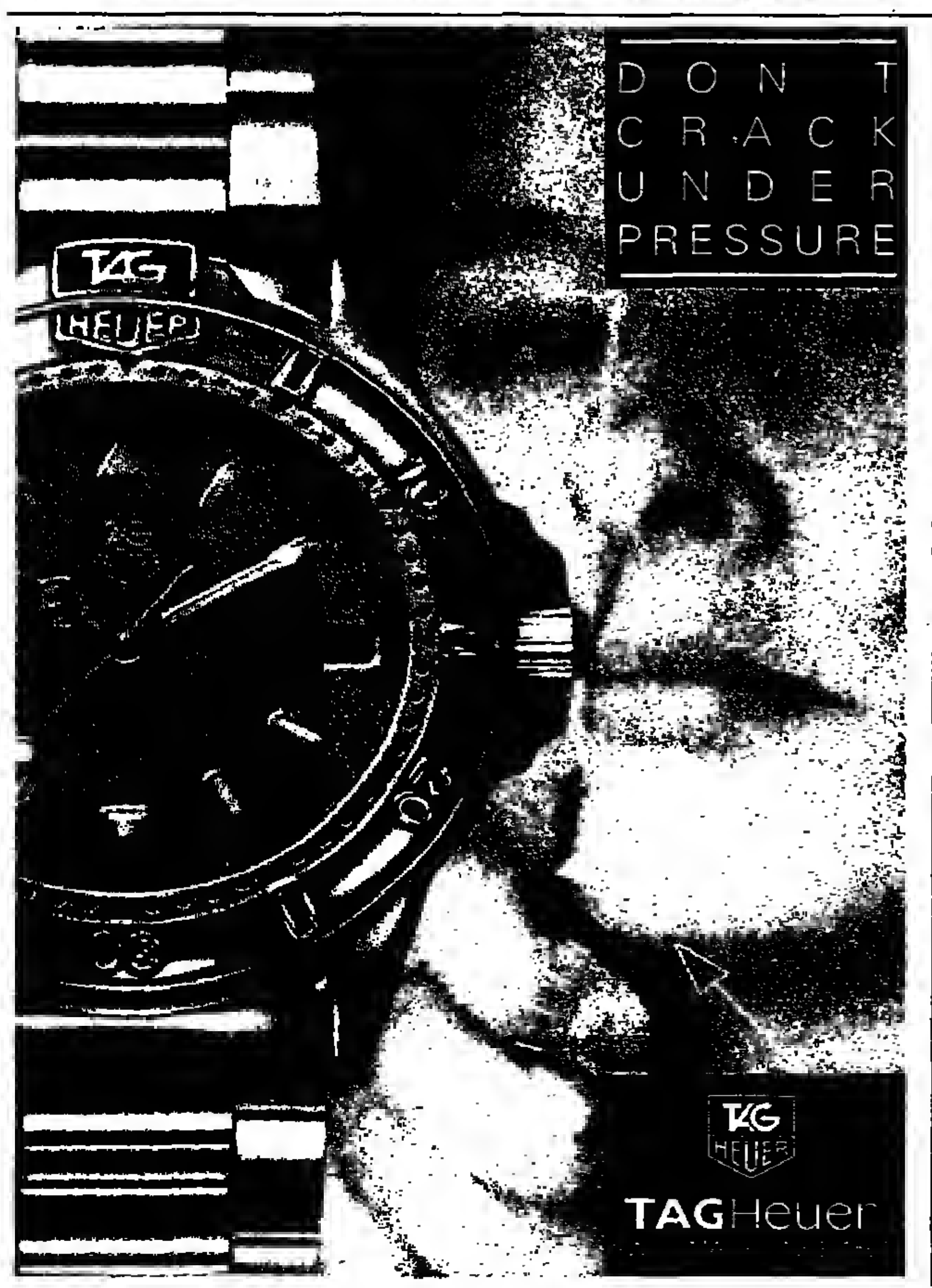
Credit Lyonnais, the state-controlled French banking group, is to withdraw from personal banking in the UK and will close half its regional corporate banking centres in a re-focusing of its activities.

The number of staff in the UK is expected to fall by about 60 to around 400: some but not all of these will be compulsory redundancies.

The group expects to close its personal banking facilities within six months and will aim to help its few thousand UK personal banking customers find alternative facilities.

Mr Bernard Darmayan, UK general manager, said the number of personal customers was too low to justify the investment that was required.

Regional corporate banking centres at Bristol, Cambridge, Newcastle, Nottingham and Southampton would be closed by the end of the year, he said, but this would be offset by investment in information technology at the remaining five centres, enabling them to provide better services and to cover the areas previously dealt with by the wider network.



Fidelity launches third investment trust

By Bethan Hutton

Fidelity is to launch its third investment trust, s UK special situations fund to be run in parallel with the group's existing special situation unit trust.

Fidelity Special Values will be managed by a team led by Mr Anthony Bolton, the respected manager who has been responsible for the special situations unit trust since its launch in 1979.

It ranks second of 54 funds in the UK equity growth sector over 10 years, and fourth of 130 over three years, but 54th of 116 over five years (source: Micropal).

The investment strategy for both funds is based on a contrarian approach, concentrating on individual companies rather than economic factors. Fidelity's team of UK analysts looks for companies with recovery or growth potential not fully priced into the shares, under-researched and undervalued companies, takeover candidates, restructurings and so on.

The fund will be at least 80 per cent invested in the UK, with small amounts elsewhere in Europe and the US.

Fidelity has a programme of launching investment trusts based on its most successful unit trusts, to broaden the appeal of its range to investors.

The new trust will be launched with a placing and public offer, due to open on October 19. Ordinary shares at 100p will have warrants attached in a one-to-five ratio, and the trust will be geared by the issue of equity index-linked loan stock, up to the value of 25 per cent of the net proceeds of the share issue.

Waterglade management lose control

The management of Waterglade International has lost its battle for control of the lossmaking property developer. It is to be replaced by the opposing shareholder group, led by Singaporean Winston Ng, writes Simon Davies.

The new directors have undertaken to pursue a recapitalisation, which has become an urgent need for a company with negative shareholders funds of £10m. An immediate rights issue of £8m is expected.

Mr David Cunningham, chairman, and the three other directors have resigned, and compensation for loss of office has been agreed.

Mr Selwyn Midgen, Mr Anthony Midgen, Mr John Darby and Mr Derek Hayes will join Mr Ng on the new board.

Glaxo plans Zantac to be over-the-counter drug

Glaxo has confirmed that it intends to apply this year for a licence to sell its best selling drug Zantac as a medicine which can be bought over the counter without a prescription, writes Daniel Green.

In a formal statement of research and development, the company said it would seek approval for two more versions of ulcer drug Zantac. One is a version of the drug which kills bacteria that are thought to contribute to or even trigger ulcers.

These steps are likely to be important in the attempt to maintain Zantac sales at the £2.5bn it recorded last year.

Three more applications, all new ways to administer inhaled asthma drugs, will also be filed by the end of the year.

Reviewing progress since the last formal R&D update last November, Glaxo said it had launched or gained approval for 15 new drugs or formulations worldwide and three new compounds have started clinical trials.

After exploratory development, four new compounds are also under pre-clinical testing, involving drugs to combat heart failure, pain, cystic fibrosis and asthma.

Several, however, have been dropped since last November, including an anti-herpes compound. Development of GR 87442, a potential follow-on to Glaxo's successful Zofran anti-nausea drug, has also been discontinued.

FINANCIAL TIMES SURVEY

Puzzle for the economists over a 'peace dividend' – See Page II of this survey

NORTHERN IRELAND

North/South trade: the barriers start to fall – see Page III

Thursday September 15 1994

A child plays ball alongside a new wall slogan in north Belfast Picture: Crispin Rodwell, Reuter

Young ladies turn to watch a British soldier on patrol in the Falls Road, west Belfast Monty Barr, AP

A Sinn Fein supporter demonstrates outside Belfast's city hall Picture: Crispin Rodwell, Reuter

The challenge now is winning the peace

With the prospect of a lasting peace now firmly on the agenda, serious thoughts are being given to the economic implications, reports Tim Coone

Sir John Davies, the attorney general for Ireland under the first Queen Elizabeth, described Ulster in 1606 as "the most rude and unreformed part of Ireland, and the seat and nest of the last great rebellion."

Catholic Irish lords had constantly "champed at the bit" of British rule, but it was 315 years after the attorney general wrote those words before the problem of seemingly perpetual Irish revolt was partially resolved by partitioning the island in 1921.

A better-known former UK attorney general, and currently the Northern Ireland secretary of state, Sir Patrick Mayhew, has had the delicate task of presiding over the ending of another rebellion, that of the Provisional IRA, which for the past 25 years has created havoc in Ulster and on the British mainland in its efforts to force a total British withdrawal from the province.

The IRA's cessation of hostilities, announced two weeks ago, has so far held, and a growing number of political leaders both domestically and abroad are coming to believe that this may really be the permanent cessation of violence demanded by the two governments in last December's Downing Street declaration, and which will pave the way for the inclusion of Sinn Fein, the political wing of the IRA, into round-table talks.

Sir Patrick stresses that it is the "intention" that the ceasefire be permanent which is important and that this must be matched by deeds and words before the British government can finally accept the IRA's *bona fides* – "the reason is that this government cannot be seen to sit and down and talk to people who may be reserving an option of going back to their former violence if they don't get what they want at the table ... I have to maintain the confidence of people in Northern Ireland."

That confidence is showing signs of growing. In Dublin, the Irish prime minister met Mr Gerry Adams, the Sinn Fein president last week, to prepare the ground for Sinn Fein's inclusion in a Dublin-based Forum for Peace and Reconciliation, which will bring together the political parties in the Republic with Sinn Fein, the nationalist Social Democratic Labour Party (SDLP) and the moderate Alliance party from Northern Ireland. The North's other unionist parties have so far refused to join the Forum, but some leaders of the Ulster Unionist Party (UUP) have indicated that they believe the ceasefire to be permanent and, once convinced of that, have said that they will eventually sit at the table with Sinn Fein.

At the international level, the US government has thrown its weight behind the peace process and held out a promise of economic assistance to Northern Ireland, as has the European Commission.

Whether the Loyalist paramilitaries will also lay down their weapons – a key factor in the peace equation – remains to be resolved, and a small bomb planted at a Dublin railway station last Monday does not look encouraging. But community workers in Protestant working class areas of Belfast are convinced that a Loyalist ceasefire will be declared within the next few weeks. If so, the momentum towards peace would become increasingly unstoppable.

The next hurdle in the peace process, once a ceasefire is established on both sides of the community, will be to convince all the political parties to sit down and negotiate new constitutional arrangements for Northern Ireland. A focus for these talks is being drafted by the British and Irish governments in the form of a "framework document," which will address such issues as reform of the Republic's territorial claim to Northern Ireland; a new elected assembly for the province; and cross-border administrative structures which will encourage greater economic and political co-operation between the Republic and Northern Ireland.

No-one is under the illusion that these talks will be anything other than difficult. The UUP and the hard-line Democratic Unionist Party (DUP) see in the cross-border structures a potential trap which will lead to eventual joint sovereignty, and a back-door approach to a united Ireland. Mr Jim Gibney, who sits on the national executive of Sinn Fein, said his party would welcome new cross-party structures – "if they are free-standing and can freely develop and there is no ceiling built into their development, we would see them as a process towards national reconciliation."

Unionist fears can, it is hoped, be dealt with, by having the executive powers of the new bodies jointly delegated to them by parliaments in both the Republic and Northern Ireland, rather than by the two governments, according to Sir Patrick.

Whether nationalists will accept this, remains to be seen. Mr Albert Reynolds, the Irish prime minister, said last week that the next battle to come "will be over the framework document." But both governments are convinced that with a willingness to compromise by both nationalists and unionists, facilitated by a climate of peace, then agreement is achievable. Sir Patrick says "there has got to be an outcome in which nobody can seek to have achieved everything at the end."

So, with the prospect of a lasting peace now firmly on the agenda, if not yet firmly in place, serious thoughts are now being given to the economic implications of peace.

Economists are divided on the issue. There are those who say that Northern Ireland's development agencies such as the Industrial Developmant Board and the Northern Ireland Tourist Board, will be able to aggressively market the province to foreign investors, no longer having to fight against the negative image created by the troubles.

The announcement last week by Hilton International, that it is to build a 187-bedroom hotel as a centreplece to the new Laganside development in Belfast will be an encouragemant to others thinking of capitalising on what is expected to be a tourist boom in the province in the years ahead.

Seagate, the US electronics manufacturer, last year established a high-tech manufacturing facility in Londonderry, without waiting for a peace settlament, attracted by the large pool of skilled labour in the province. The textile industry continues to grow and now provides around a quarter of all manufecturing employment. First-class infrastructure in road, rail, telecoms, ports and airports adds to the attraction of the province.

The optimists therefore say that peace will bring foreign investment on a similar scale to that achieved by Scotland, Wales and the Irish Republic.

Whilst the economic benefit of peace is not in dispute, more cautious analysts point to the downside. As many as 20,000 people are estimated to be employed in the security forces and related occupations such as the security guards seen at the entrance of almost every large store and office block across the province. Many of these could be expected to lose their jobs. The short-term effect could be a rise in the unemployment level of 96,000 or 13.1 per cent of the workforce, already the highest in the UK. Sir Patrick acknowledges the problem – "there is going to be a need for gradual adjustments and it is true that a lot of jobs are linked to the emergency."

He says that up to 80 per cent of the annual £1bn government spending on security is related to the emergency.

The potential loss to the economy in security-related spending by both the public and private sectors could therefore exceed £1bn in the event of a lasting peace, equivalent to around 10 per cent of the province's GDP. Business leaders can thus be expected to exert intense pressure upon both governments to provide extra resources for Northern Ireland, whether from their own exchequers, or by enlisting support from Washington and Brussels. As Michael Smyth, an economist at the University of Ulster, says: "The danger is thet the government could pull the rug out from under the private sector, just as they have a chance of taking off."

After decades, indeed centuries, of conflict and rebellion in Northern Ireland, the real challenge thus facing Ulster's politicians as the 21st century approaches is no longer that of winning the war, but rather winning the peace.

The Northern Irish economy is recovering faster than the British economy as a whole, reports JOHN McMANUS

Prolonged peace could bring a 'peace dividend' – or, some warn, a 'peace deficit'

A puzzle for the economists

It is probably not surprising that peace should be as divisive amongst Northern Ireland's economists as 25 years of violence has been amongst the population at large. The "issue" in Northern Irish economic circles at the moment is the impact on the economy of a prolonged, hopefully indefinite, period of peace. It is best summed up by the question: "Is there going to be a peace dividend or a peace deficit?"

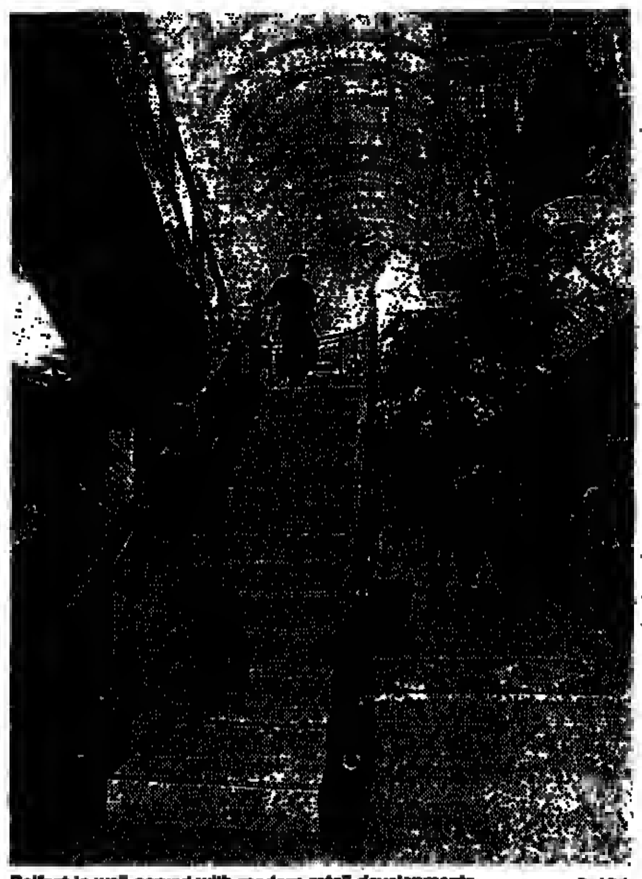
There are some facts about the situation accepted by both sides in the debate, including the fact that the Northern Irish economy has been buffered from the worst of the recent recession by a £3bn to £4bn a year subsidy from the British Exchequer.

It is also accepted that the Northern Irish economy is recovering faster than the British economy as a whole. This is particularly obvious in key measures such as Northern Irish production output and manufacturing industries output, which, on an indexed basis, have been ahead of Britain since mid-1990.

Although unemployment in Northern Ireland remains the highest in Britain, at just under 13 per cent, employment has remained stable since 1990, despite a significant decline in Britain.

In fact, looking back, it is debatable whether Northern Ireland had a recession at all. If you take a decline in GDP over two successive quarters as a definition of a recession, then it definitely did not have one. However, what economists do not agree on is that peace will benefit the economy and support the recovery.

Visitors in Belfast: long-term peace would boost the tourism sector



Belfast is well-served with modern retail developments Paul Daly

Dr Graham Gudgin of the Northern Ireland Economic Research Centre is one of the doubters – "security-related expenditure accounts for about one third of the £4bn annual subvention... there is a huge question mark as to whether the north would be allowed to keep that money if peace broke out."

The possible benefits to the Northern Irish economy of increased tourism and other aspects of peace, would not outweigh the effect of losing the subsidy, he believes.

Up to 20,000 well-paid jobs in the security forces and related areas could be lost, predicts Dr Gudgin. The type of jobs that are supposed to replace them, particularly in areas such as tourism, will be relatively low-paid, he points out.

The government, not surprisingly, is much more positive and the Minister of State at Northern Ireland's Department of Economic Development, Mr Tim Smith, has cited unpublished research showing that "over a number of years" the net effect of peace will beneficial in job terms.

A similar stance has been taken by the Confederation of British Industry in Northern Ireland, which estimates that job growth through inward investment will quadruple from about 500 per year to 2,000 over a two-to-three year period, while perhaps another 70,000 jobs will be created in the tourism industry.

One economist who is very positive abont the impact of peace is Mr Douglas Hamilton, who works with the Government policy advisory group, the Northern Ireland Economic Council.

Mr Hamilton believes [illegible] would be a tremendous [illegible] to industry from [illegible] an environment not tempered by a political climate of violence and conflict.

"The troubles did not really lead to companies pulling out, but to a situation where they do not operate under normal conditions," he claims.

Mr Hamilton also [illegible] that there would be [illegible] on the British government [illegible] let the Northern Irish [illegible] down gently, by phasing out the payment gradually and creating a reconstruction or redevelopment fund.

Although the British government has not committed itself to such a fund, there have already been suggestions of increased aid from the United States and the European Union.

The US is considering donating up to \$150m over two to three years through the International Fund for Ireland. The fund was established by the British and Irish governments in 1986 and raises money in North America and Europe for projects that encourage reconciliation and economic regeneration.

The president of the European Commission, Mr Jacques Delors, has said the European Union may increase the size of the donation it makes to the International Fund.

There will be fundamental changes in the Northern Irish economy, which has many structural weaknesses, if peace becomes permanent, believes Mr Hamilton.

KEY FACTS

Paradoxically, it was the structural weakness that led to the admirable performance of the Northern Irish economy during the recent recession, according to Mr Hamilton. The under-developed nature of Northern Ireland'e financial services industry and the dynamics of its property market, with no appreciable shortage of private sector housing, meant that the boom in personal credit that led to the British recession, bypassed Northern Ireland. The absence of speculative pressure on house prices meant that people in Northern Ireland had nothing like the level of personal debt that people in the South of England had when high interest rates hit at the end of the 1980s.

The distorted nature of Northern Ireland's employment patterns, with the government employing roughly 200,000 out of a total workforce of about 800,000, had a strong buffering effect also, explains Mr Hamilton.

In addition, the exceptionally high level of grants that have been available in Northern Ireland since the start of the troubles – up to 40 per cent of capital expenditure – meant that Northern Irish companies went into recessions very well capitalised and with less debt than most British competitors.

The strong performance of Northern Ireland's manufacturing industry is not merely accidental, points out Mr Gudgin. As a sector, it is less dependent on the British market than most companies in the UK.

Sales to Britain only account for one third of output, compared to two thirds for most British industry. In addition, wage levels in Northern Ireland have fallen by about 10 per cent below British levels in the last ten years, due mostly to unemployment and the end of collective wage bargaining, says Dr Gudgin.

One area in which Dr Gudgin and Mr Hamilton *do concur* is in their caution when it comes to predictions for the Northern Irish economy. In the absence of any appreciable peace dividend, both economists find it hard to accept that the North will out-perform Britain in the long term.

"Northern Ireland follows the British cycle," explains Dr Gudgin, but he adds: "If wage advantage and other advantages can be maintained, there is evidence that there will be something of a long-term improvement in the competitive position."

Manufacturer's profile: Seagate

Derry's high tech coup

The quality of the labour force was the reason that US disc drive manufacturer Seagate chose Derry as the site for a £45m high-tech factory last year.

"The area offers a pool of well-educated, well-qualified and hence trainable labour," explains Mr Michael Caulfield, the managing director of the plant.

A chance meeting between Derry's nationalist MP, Mr John Hume and Seagate's Irish-American director and chief technical director, Dr Brendan Hegarty also "could not but have helped put Derry on the short-list for possible sites," admits Mr Caulfield.

Northern Ireland has the twin distinctions of having among the highest educational standards in Britain and Ireland, and the worst levels of unemployment. Of the top 200 schools in the latest round of A-level results, 20 per cent were in Northern Ireland, explains the Belfast-born Mr Caulfield. Parts of Derry, however, where 13 per cent of the workforce are without a job, have some of the worst unemployment rates in Northern Ireland.

Seagate's manufacturing strategy is to take every stage of the process of making disc drives and "look at the amount of technology, capital and labour involved and ask what type of employee and what type of investment is needed," explains Mr Caulfield.

The company then decides on the most appropriate location for that stage of the process. This has resulted in labour-intensive assembly processes being located in South East Asia and until now, the technology and capital-intensive stages being located in the US. Derry was a very suitable choice for the location of the first facility for manufacturing the 'heads' which read the memory discs in the drives – the equivalent of the needle that plays the record in a record player – outside the US, explains Mr Caulfield.

The region has attracted US investment for a £45m computer equipment factory

The head manufacturing process is extremely technology- and capital-intensive, using machines costing between £500,000 and £1.5m each. However, tha machines require extremely competent and well-trained operators, as it is only through the use of human operators that the manufacturing process can be flexible enough to meet the demands of the computer industry – where product life cycles can be as short as nine months.

Northern Ireland's development agency, the Industrial Development Board, offers some of the best capital grants in Europe – up to 50 per cent of capital expenditure. Just as importantly, in Seagate's case, generous assistance towards training and technological development are also available.

"Wherever we set np, there would have been e huge training load," explains Mr Caulfield. The first 100 employees of the Derry plant had to spend three months training in the US, before the start of production in Derry.

Further training will have to be carried out in Derry as new employees are recruited. The company has received grant assistance for this, on e level similar to the capital assistance given by the IDB, from the Training and Employment Agency. There has also been help from the Industrial Research and Technology Unit towards the establishment of a worldwide research and development centre in Derry and this "will take Seagate's recording head technology into the next century," explains Mr Caulfield.

The factory, which commenced production in January, will produce 100m heads a year, half of Seagate's total production, by the end of 1995. This will give the company the ability to double revennes from the current level of around \$3bn, explains Mr Caulfield.

The heads, roughly two millimetres square, are manufactured in batches of around 6,000, neatly spaced out on ceramic squares about the size of a bathroom tile. The squares are shipped from Derry to Malaysia where they are sliced up into individual heads before being shipped to Thailand for mounting on the disc drive arms – the equivalent of record-player arms. The final assembly process takes place in Singapore, where the disc drives are assembled before shipment to computer manufactures for inclusion in their products.

Seagate produces 200 different drives ranging from the small drives used in desktop PCs to the massive '30 gigabyte' drives used in supercomputers.

Northern Ireland has seen multinationals come and go, resulting in a healthy scepticism about the real value of such high profile, high tech, highly mobile investment.

The main and obvious benefit is the jobs that the factory will bring, believes Mr Caulfield. Seagate employs 200 people at the moment, and will employ 500 by 1996 and an additional 46 in the research and development centre. Around 100 employees are graduates, but the ratio of graduates to non-graduates will fall by the time the factory is fully operative.

The age profile of employees is young, with Michael Caulfield being one of the oldest at only 44. All employees have at least A-level standard edncations.

Seagate will contribute £5m a year to the local economy in wages alone, but the amount of raw materials bought locally is limited. The bulk of the equipment and raw materials are sourced ontside of Northern Ireland, with notable exceptions including some bulk chemicals and computers.

Seagate is in Derry for the long term, says Mr Caulfield, who points to the worldwide research and development base as proof. It is an investment in people and the return period is at least 5 years, he says, adding: "You don't invest in a worldwide research and development centre unless you are here to stay."

John McManus

The announcement last week by Hilton International of its plans to build a £17m (\$26.35m) 187-room luxury hotel alongside the Lagan river in Belfast, could not have come at a better moment for the city's development planners.

Coinciding as it does with the IRA ceasefire and growing hopes that an end to the 25 years of troubles in the province may have finally arrived, the property market in Northern Ireland, may soon be facing a boom of the economic rather than the Semtex variety.

The Belfast Hilton will help anchor a planned £130m investment scheme in the Laganbank development site just 500 metres from the City Hall and main shopping centre. This will include a £29m 2,250-seat concert hall and conference centre and some 450,000 sq ft of new office space, as well as commercial premises for pubs and restaurants.

The Laganbank site itself is part of a much larger redevelopment scheme taking place alongside the entire tidal reach of the Lagan river, which divides Belfast in two. The completion in March this year of the Lagan weir, close to the Hilton site, has turned the Lagan river – formerly a somewhat ugly and smelly tidal estuary – into an attractive lake amenity to which waterfowl, windsurfers, and wayfarers have already begun to gravitate.

Mr Mike Smith, the director of development at Laganside Corporation, the body responsible for developing the various sites along the river, said he is expecting the announcement of the first phase of the office development at the Laganbank site to be made shortly.

The £10m sale earlier this year of the Abercorn Centre, a 65,000 sq ft office block, to First Trust Bank, has meant that "there is no longer any modern office space unlet in Belfast," he said. Moreover, areas around Queen's university, hitherto favoured by professional firms of lawyers, accountants and consultants, are becoming congested and are extremely short of car parking space. Laganside Corporation is therefore hoping to attract some of these firms to the Clarendon Dock site which is being refurbished with £4m in EU funds.

Mr Barry Gilligan, the chief executive of Ewart plc, the Belfast-based property development company which is jointly building the new hotel with the Hilton group, says that office rents are in the region of £8-9 per sq ft, equivalent to some provincial cities on the mainland – "around £9 is break-even for any new office development, and given that there is now no new office space in the city, we should be able to see a new development shortly," he says.

Figures from the valuation and lands agency show that 1.6m of the 5.6m sq ft total of office space in Belfast is of top quality and built to modern, high specifications, but that there is nothing available in

Lagan House, Belfast, headquarters of the Laganside development Paul Daly

PROPERTY MARKET

Good news for Belfast planners

units in excess of 50,000 sq ft and very few units from 20,000-50,000 sq ft.

The first phase of the anticipated Laganbank development will involve the construction of 150,000 sq ft of office space. There is a market take-up of space of 200,000 sq ft per year, according to Ewart, down considerably from some 750,000 sq ft per year in the late 1980s when government offices were taking the bulk of that through relocation schemes. But this should be sufficient to make the ongoing development of the site feasible – "with the concert hall, the hotel and the first phase of the office development the site will be viable" says Mr Gilligan.

Other key sites along the Lagan are the 26-acre former gasworks, upriver of the weir, and the even-larger Abercorn basin just below the weir on the east side of the river and adjoining the docks.

Mr Smith says that the first developments at the gasworks are expected to be announced later this autumn and will include public space, performance areas, and business and commercial premises. Adjoining both Catholic and Protestant housing estates which have been rocked by sectarian atrocities in recent years, it is hoped that the development will help build a bridge between the two communities, especially if a new peaceful era lies ahead.

Developments at the Abercorn Basin are to await the completion next year of the £65m crossharbour road and rail bridges which skirt the site. When complete, together with a motorway link-up to the east which is due for completion in 1998, the Abercorn Basin is to be marketed as a site for light industrial developments, having first-class access not only to the city centre, but to the ferry port and the Belfast city airport and to the road and rail network throughout Ireland.

The only sector of the Belfast property market not likely to see any big developments for the next three to four years is in retailing. The Castlecourt shopping complex in the city centre, together with several developments on the outskirts which are being slowly expanded, has left the city with a small surplus of retail space.

The valuation and lands agency notes, however, that despite a static market in rents for the past two years, recent survey data point to only 2 per cent of retail space being unlet, while in prime pitches "there remains a potential shortage of space". Prime rents in these locations at around £140 per sq ft "stand comparison with almost all good retail locations outside central London," the agency says.

Already well-served with modern retail developments and extensive pedestrianised areas, having first class access by road, rail, sea and air, and on the verge of seeing a series of new office, commercial and light industrial developments alongside the river Lagan, Belfast is potentially one of the fastest developing cities in the UK – and if peace does come, one of the most attractive destinations for relocation.

Tim Coone

NORTH/SOUTH TRADE

Invisible barriers start to fall

Trade links are expected to be substantially improved over the next five years as they are a priority in the Republic's IR£7bn National Development Plan, reports JOHN McMANUS

Trade between Northern Ireland and its nearest neighbour, the Republic of Ireland, is abnormally low – and skewed heavily in favour of the Republic.

Northern Ireland's exports to the Republic represent just under eight per cent of the total. Goods and services flowing the other way represent about six per cent of the Republic's total exports.

The north's main exports to the Republic are live animals and food products, including beverages, which accounted for around 40 per cent of the £468m exported in 1992. Other leading exports include fertiliser, textiles and clothing.

Food products and live animals account for around 46 per cent of Northern Ireland's imports from the Republic, which wsre £825m in 1992. Manufactured goods, including chemicals, industrial machinery and road vehicles, accounted for 47 per cent of imports.

The reasons for the low level of trade are both infrastructural and historical. The antipathy of certain parts of the Northern Irish business community to trading with the Republic, and the apprehension of companies in the Repuhlic ahont trading in Northern Ireland, are widely acknowledged, hut unquantifiable.

Current political developments may go a long way towards breaking down these invisible trade barriers and complement the efforts made in recent years to overcome the tangihle, infrastructural barriers.

Over the last three years the two leading business organisations in Ireland, the Confederation of British Industry in Northern Ireland, and the Irish Business and Employers Confederation (Ibec) in the Repnblic, have undertaken a number of joint initiatives aimed at boosting cross border trade.

Between them, Ibec and the CBI represent 4,000 companies and around 90 per cent of manufacturing jobs in Ireland. The advent of the single market in 1992 is seen by many as the catalyst that led the two organisations to look at ways of overcoming obstacles to trade.

The single market swept away the higgest of the the physical ohstacles: dslays at the border for customs and security checks could at one time add up to five hours to the three-hour journey between between Belfast and Dublin.

The CBI and Ibec established a joint council in 1991, which drew up a three year North-South markst development programme.

The programme set out to address what the joint council perceived to be the four biggest obstacles to trade, according to Mr William Poole, the Confederation of British Industry's dirsctor of business development for Ireland.

The biggest prohlem, according to Mr Poole, was the lack of available information, in hoth the Republic and Northern Ireland, about opportunities on the other side of the border.

The second main ohstacle was perceived to be the poor state of road and rail links hetween the two parts of Ireland.

The two other big problems identified hy the joint council were the sort that would be associated with any export market: the risk of adverse currency movements and the difficulties of pursuing payment in a different jurisdiction.

The problem of lack of information was addressed through the collation and dissemination of as much information as was available, and the organisation of contact meetings for various industry sectors.

"The core of activity was to hring together companies from North and South, matching huyers with sellers and identifying and promoting market opportunities," explains Mr Poole.

In total, 25 meetings were held, involving 530 companies split more or less evenly between Northern Ireland and the Republic.

"The key sectors in which we believed cross border trade could be encouraged were textiles, food, engineering – including software – and selling to the public sector," Mr Poole explained.

The programme has been highly successful and highlighted ths potential for increased cross border trade, Mr Poole maintains. Six Northern Irish food companies won orders worth £386,000, while four engineering companies have got £1m worth of business.

More than 60 sales leads and £390,000 worth of husiness were generated by the software companies which took part in the programme, he adds.

The joint council is now completing a sscond programme, which will run for five years and look particularly at the possibility of increasing cross-horder trade hy small husinesses, which are seen as vital creators of new johs. Northern Ireland's small husiness sector represents the province's best opportunity for joh creation and economic expansion.

"In marketing terms, it makes sound business sense to look at developing export business with a trading partner on our doorstep," explains Mr Bill Jeffrey, chairman of the Federation of Small Businesses in Northern Ireland.

The joint council also commissioned management consultants to produce a study on the potential for the development of an economic corridor hetween Dublin and Belfast, and this is due for puhlication shortly.

Such a scheme has been mooted hy businessmen for many years, with estimates of the number of jobs it could create ranging from 7,000 to 70,000. The report is expected to highlight once again problems in the area of infrastructural links between Northern Ireland and the Republic.

The links, however, are expected to be substantially improved over the next five years as they are a priority in the Republic's IR£7bn National Development Plan for spending the next tranche of European Union structural funds.

The report is also expected to show that "what is really lacking is normal relationships between companies because of a lack of interaction," explains Mr Geoff MacEnroe, the director of IBEC's North-South Business Development Programme.

The development of a corridor would give Northern Ireland companies hetter access to the island's largest concentration of consumers, in Dublin and its surrounding towns. Such a corridor might go some way to to help redress Northern Ireland's trade deficit, which is a relatively recent development. In 1981, Northern Ireland actually enjoyed a small, £2m trade surplus with the Republic.

Ulster companies are leading suppliers to British retail chains, reports John McManus

The textile base remains strong

Pyjamas and tights may not have the glamour of *haute couture*, but the manufacture of these staple items of clothing for British retailers, such as Marks & Spencer, keep more than 16,000 people in work in Northern Ireland.

Garment manufacturing is now the most important sector of Northern Ireland's textile industry, itself ths most significant manufacturing sector in employment terms, with annual sales exceeding £1bn.

Out of around 100,000 manufacturing jobs in Northern Ireland, around 26,000 are in the textiles industry, of which garment manufacture accounts for around 16,000. An additional 10,000 people are employed indirectly hy the textile industry.

The strength of Northern Ireland's garment industry is due to a combination of factors: the historically strong tsxtils industry hase; the growth of the British chain stores; and the high level of government support available since the start of the trouhles 25 years ago. The skilled workforce and infrastructure developed hy the linen industry allowed Northern Ireland-based garment manufactures to start supplying British retail chains, and to grow with them as they came to dominate the clothing market in Britain.

"Chain stores account for 60 per cent of clothing sales in Britain and provide the volume demand required by manufacturers to achieve economies of scale," explains Mr Bruce Robinson, the deputy chief executive of Northern Ireland's development agency, the Industrial Development Board(IDB).

The generous level of capital grants available in Northern Ireland over the last two decades – up to 40 per cent more than in the UK – has meant that local companies have heen able to equip themselves with the expensive machinery needed to supply products of the quality required by chain stores.

Northern Ireland's garment manufacturers would prefer to explain their success in terms of increased competitiveness.

"Our competitive edge is better design, a very close relationship with the customer, and a quick response time," explains Mr Sean O'Dwyer, the managing director of Desmonds, a supplier to Marks and Spencer, which employs 2,700 people, making nightwear and other clothing. Northern Ireland-based suppliers, such as Desmonds, offer British retailers the facility to drop unsuccessful lines in mid-season and increase production of successful ones, so that they avoid being left with surplus stock at the end of the season.

Although Far Eastern manufacturers might be more competitive on a cost basis, they are at a severe disadvantage when it comes to response time. The only way in which they can match Northern Ireland based suppliers is to air-freight their products, which is prohibitively expensive. It is an advantage which Desmonds has successfully exploited.

Expansion plans

The family-owned firm started supplying Marks and Spencer 40 years ago, and now sells the chain store about £100m worth of clothing a year – "we're pretty confident that we can increase output. By 1998 we plan to have increased volume by 40 per cent," comments Mr O'Dywer. Desmonds plans to invest ahont £5m under the expansion plan creating a further 600 jobs.

The outlook for the garment sector is hetter now than it was ten years ago, believes Mr Terry McCartney, the chief exective of Charnos, which has extensive textiles interest in Northern Ireland through its Adria subsidiary.

"We have seen the industry heing weakened hy cheap imports, hut I think that is changing and we are winning back market share through the quality of our service and design," he explains. Adria, which produces hranded and own-hrand hosiery and lingerie for UK retailers has increased employment by 250 this year, opening a £5.4m lingerie factory in Derry. The company plans to open a new hosiery knitting factory in Strabane this year and hopes to employ over 1,500 people in Northern Ireland by the end of 1996.

The garment industry's strength is not reflected in other parts of the industry, however – particularly carpet-making. Last month, textile group Richards announced it was closing its carpet-making subsidiary in Bangor, Spence Bryson, with the loss of 175 jobs. The closure was blamed on fierce competition in the UK carpet market.

"The performance of the carpet industry is linked to activity at retail level and the number of new housing starts," according to Mr Desmond Morgan of the Northern Ireland Textile Association – "these have been very slow to pick up and matters have not been helped hy the entry into the UK market of the US carpet giant, Shaw International."

Textile yarns and fabric are a very inportant sector of the industry in Northern Ireland and are set to become more so with the decision of Taiwanese group, Hualon, to set up near Belfast. Although questions have heen raised about the appropriateness of the decision to give £61m in grants to Hualon, the 1,800 jobs which the project will create in Belfast are very welcome.

Ths fully integrated textile plant will dye, finish, weave and spin nylon, cotton and polyester-cotton fabrics.

Other textile companies such as cotton spinners and weavers, Fruit of the Loom and Courtaulds Textiles, form the second largest sector in the textile industry in employment terms, accounting for the bulk of non-garment employment.

The linen industry remains a significant employer, although it underwent rationalisation in the mid-1960s and 1970s. Northern Irish linen manufacturers, who produce about 20 per cent of Europe's linen, have been forced to move away from their traditional market, which was household fabrics. However, the return to fashion of natural fabrics, has given linen spinners a new lease of life in export markets.

SHIPBUILDING

A sombre message

Improved ship financing facilities are needed, says Harland and Wolff

In popular perceptions of Northern Ireland, the two huge gantry cranes at the Harland and Wolff shipyard in Belfast loom as large as an Ulster fried hreakfast or the booming voice of the Rev Ian Paisley.

But while neither of the latter are likely to diminish in volume or disappear from the Northern Ireland scene in the coming few years, the same could not be said with total certainty of the shipyard.

The Harland and Wolff cranes, once the most potent symbol of Northern Ireland's manufacturing industry, may become redundant hy the end of next year if the shipyard is nnahle to win new orders in the face of increasingly stiff international competition.

The hull of the last order on the yard's books – a Capesize hulk carrier – is taking shape on the floor of the main huilding dock, one of the largest huilding docks in the world, designed to accomodate vessels up to 1.2m tons dwt, twice the size of the largest ship ever huilt.

The last ship is a relatively modest 162,000 dwt Capesize bulk carrier, bnt is one of a new generation of bulk carriers and tankers featuring enhanced structural and safety features in which H&W now specialises.

Mr Per Neilsen, chief executive of the Harland and Wolff group, estimates that as many as 800 'newbuildings' of ships over 100,000 tons dwt will be required over the next five to six years – the category in which H&W specialises.

Some 25m tons of bulk carriers and tankers are now on order around the world. The H&W yard has a capacity to build between four and six such ships per year, so the Belfast builder would be aiming to win only around 5 per cent of all orders worldwide, not – it would seem – an impossible task.

Mr Neilsen points ont though that world shipyard capacity is growing and that there have been hig productivity increases in existing yards, "there is more than enough capacity to meet the demand for renewing the fleet."

The prohlem for H&W, which reported an operating loss of £10.1m for 1993, is that direct and Indirect subsidies paid to competing shipbuilders overseas "inclnding several countries in the EC" is making it impossible for the Belfast yard to compete on price, despite large prodnctivity increases that have been achieved in recent years. "We can compete on cost with the best shipbuilders around. We have the cheapest overheads compared to similar shipyards," he claims.

Since the yard was privatised in 1989, productivity has donbled. The number of manhours required to produce a Capesize ship has been cut in half he said, and overall workforce numbers in the shiphuilding division have been cut from 2,850 to 1,400.

"We've done everything that has been asked of us through the privatisation," he says.

Restrictive work practices have been eliminated, flexible work hours have been introduced, labour costs have been sharply redneed, and great emphasis is laid on quality control – "the employees have been prepared to take up the challenge" he says. A technical co-operation programme has been in operation for several years with Kawasaki Industries in Japan, and the management style at the yard is now largely modelled on the Japanese system.

At the same time the yard has given wholehearted support to the government's policy to eliminate all shiphuilding subsidies. But Mr Neilsen now wants the government to either improve ship financing facilities through the government-run Ship Finance Mortgage Corporation (SMFC) or to tackle more effectively those countries that continue to provide direct or indirect subsidies to their shipyards.

He says the norm for many foreign shipyards is to offer finance guarantees for np to 80 per cent of the cost of construction, repayable over 12-15 years through government-backed finance schemes. In the US, ship finance is available for up to 87.5 per cent of cost, repayable over 25 years, if a shipowner uses a US yard. in the UK, the SMFC offers only 30-60 per cent of the capital cost payable over 8.5 years.

Mr Neilsen says that using the SMFC scheme, a shipowner would be likely to face a negative cash flow for the first seven years of operation, making it uneconomic to huild new tonnage in a UK yard – "it will not matter how good our productivity is if the huilder cannot finance the ship. An owner needs a lot of cash to build at H&W."

There has been sympathy expressed in Whiteball, he says, hut so far this has not resulted in action: "If the government isn't prepared to listen to us, then clearly we will have to go in another direction and rethink our support for a 'no-subsidy' policy."

"I used to be an optimist. But I feel it is going to be difficult to compete commercially if we are not playing on a level field with our competitors. It is going to he extremely difficnlt to be in business in the longer term."

It is a somhre message coming from one of Northern Ireland's oldest and most famous industries. And hardly one likely to bring cheer to those problem areas of Belfast where unemployment in some neighbourhoods such as the Lower Falls Road or Sandy Row is higher than 60 per cent.

Tim Coone

A thousand cars a day pass through Larne port

Busy highway to Europe

Some of the elderly visitors to Northern Ireland arriving through Larne might remember the port from their World War Two days, *writes Tim Coone.*

The huge logistical task of rapidly embarking hundreds of thousands of troops and tens of thousands of vehicles for the Normandy invasion in 1944 was tackled by routing part of the invasion force through Larne, making use of its ramp loading facilities – then almost unique – which allowed vehicles to be driven directly aboard the ships used for the invasion.

Today, the same technique is allowing a different kind of invasion to take place: Larne now handles an average of 1,000 cars a day – 85 per cent of Northern Ireland's tourist traffic. Last year, 1.8m passengers travelled through the port, slightly more than the population of Northern Ireland itself. Moreover, Larne is now the principal roll-on-roll-off (ro-ro) freight port for Ireland handling an average of 550 container vehicles every day in each direction. In the UK, this makes it is second only to Dover.

For Ireland's food industry and the growing number of companies following just-in-time manufacturing techniques that have chosen either the province or the Republic to locate their factories to supply the European market, Larne port is a vital link between them and thsir customers, some of which are located In the heart of Europe.

Mr Denis Galway, the port's director and general manager, said that the frequency of sailings from the port and the short sea crossings enabled a road haulier to have a 40-ft trailer load "in Paris within 24 hours and well into Germany in 48 hours."

Four ro-ro routes now operate between Larne and the British mainland, offering hauliers a choice of 18 sailings each way daily, evenly staggered throughout the day and night. Four ro-ro jetties, three with double ramps and the fourth recently having undergone a £7m improvement, ensure a rapid turnaround for the ferries and little delay for the hauliers. Individual loads of up to 180 tonnes can he accommodated.

Half of the cargo handled through the port is perishable, such as meat and dairy prodncts and fresh vegetables – "speedy delivery for these is essential. With the frequency of sailings from here we can ensure that these products can leave Larne in the evening and be on supermarket shelves in Britain first thing in the morning," says Mr Galway.

Fruit of the Loom, the US clothing manufacturer, supplies the European market from factories located on both sides of the Irish border, using Larne as its main port to Britain and beyond.

Mr Tony O'Reilly, the chairman of the Heinz food corporation, has cited Larne port as one of the reasons for locating a new pizza-topping factory for the UK market in Ireland rather than in England or Wales.

According to Mr Galway, more than 20 per cent of traffic through the port originates in, or is destined for, the Irish Republic.

The completion of the cross-harbour road and rail link in Belfast in February next year will finally connect Larne and the north-east of the province with the rail network throughout Ireland, opening up further possibilities of attracting new freight and passenger traffic to the port from the Republic.

A rail freight terminal at the port has been proposed, while the passenger terminal is already one of the best and newest on the west of the Irish Sea offering airport-type facilities for passengers. Bus and rail services operate directly from the terminal. Even the personal hygiene of sweaty lorry drivers has been catered for – a special rest and shower room has been provided for them at the passenger terminal.

Adjacent to the port, and owned hy it, a 100-acre site is now being offered in lots of up to 10 acres for development which Mr Galway believes will be attractive to manufacturers and wholesale distrihutors looking for a location from where to supply their markets efficiently.

A new era of competition for Larne began recently, though, with the appearance of new shipping on the Irish Sea. The Seacat service to Belfast, with its fast crossing times, has been able to take around 15 per cent of the tourist traffic into the province in the past two years. In 1993, Stena Sealink also opened up a new Seacat service from Holyhead to Dun Laoghaire (near Dublin), with an Irish Sea crossing time of only one and half hours (compared with two and half hours from Larne to Stranraer).

Mr Galwsy acknowledges the threat but he says: "We are not afraid of competition. We believe we can compete on price, and the evidence shows that ferry operators here have sustained their market share."

UK set to maintain cereal crop yields

By Deborah Hargreaves

The UK wheat crop is expected to rise by 3 per cent this year in an overall cereals harvest little changed from last year at 19.6m tonnes, according to preliminary estimates by the National Farmers' Union.

The French wheat crop is expected to be 4 per cent higher than last year, but German barley yields could be 10 per cent lower because of drought, the NFU anticipates.

The NFU points out that, although British cereals output is likely to be little changed from last year's 19.5m tonnes, the composition of the crop is expected to change significantly.

Wheat production is expected to rise but barley output is forecast to fall.

This reflects price expectations made by farmers when planting their crops. Bad weather caused wide variations in crop yields, but affected both wheat and barley crops in a similar way.

Crop yields were broadly higher in the south and south-east and lower in the east Midlands and East Anglia, where heavy rain delayed spring planting.

The NFU also pointed to much higher variations in yield within each region than had been recorded in previous years.

The area sown with wheat increased by 4 per cent for the 1994 harvest, but wheat yields fell slightly from 7.3 tonnes per hectare to 7.29 tonnes per hectare, producing a crop of 13.28m tonnes.

Barley planting continued its downward trend with the winter barley area falling by 3.5 per cent in England and the spring barley planting dropping by 9.6 per cent.

Oilseed rape sowings are estimated to have risen by 5.8 per cent but yields in England and Wales were down by 6 per cent, leading to production remaining unchanged at around 1m tonnes.

In France, the area sown with cereals declined by about 3 per cent overall, but most of the drop was in the maize araas. Wheat planting increased by 2 per cent.

Farmers call for cut in set-aside

By Deborah Hargreaves

Tha European farmera' organisation, Copa, yesterday called for a reduction in the amount of cereals and oilseed land set aside or left to lie fallow in the 1994-95 growing season under a European Union scheme.

French and British farm unions have also called for substantial cuts in set-aside. The UK National Farmers' Union has called on European Union agriculture ministers to rethink the scheme at next week's council meeting in Brussels.

Poor weather and current set-aside obligations are expected to cut this year's EU grain harvest to between 158m and 160m tonnes compared with 166m tonnes last year. The average harvest before the 1992 Common Agricultural Policy reforms was 185m tonnes.

Copa said it urgently requested a reduction in the set-aside "which will not affect the good functioning of the market".

Sir David Naish, president of the NFU, warned that if set-aside was maintained at its current level of 15 per cent, it could prove difficult for EU farmers to maintain their market.

The European Commission says that 15 per cent was never meant to be a sacrosanct figure. "It's a management tool – the figure can go up or down depending on the real outcome of the harvest," an official said.

EU cereals stocks have dropped from 38m tonnes to 16m tonnes in the past year. Farmers' leaders say this could mean European customers having to import unless the set-aside is reduced.

Sir David is also urging ministers to take the matter up as quickly as possible to allow time for farmers to adjust planting patterns this autumn.

India takes on wheat giants

Farmers can compete now price curbs have gone, says Shiraz Sidhva

The Indian government's decision last week to abolish the minimum export price for durum wheat is expected to boost exports and allow Indian wheat farmers to compete with major producers like the US, Canada and Australia.

The food ministry has also proposed to the commerce ministry that the minimum export price of $200 (£129) for non-basmati rice be lifted in an attempt to reverse the fall in rice sales and make this year's huge surpluses competitive on international markets.

The moves reflect India's willingness to compete with the world'a wheat giants in lucrative markets in north Africa and southern Europe, where durum wheat is used for making pasta. The relaxation of export curbs is also in keeping with tha Gatt treaty, to which India is a signatory.

Mr Sanjeeva Reddy, director-general of foreign trade, said the minimum export price of $160 a tonne for durum was no longer necessary because local production was rising and wheat supplies for India's domestic market were adequate.

Exports of durum or superior quality wheat were permitted by the government last November, subject to a floor price of $160 a tonne and a ceiling of 300,000 tonnes a year. The price did not prove competitive on world markets, and durum exports fell to 59,000 tonnes in the year ended March 31, down from 3.7m tonnes in 1992-93.

The government, which had rejected a proposal from the commerce ministry to scrap the floor price last year, is more confident of being self-sufficient this year. A bumper durum harvest is expected next April after good monsoon rains this summer.

According to government estimates released in June, India produced 57.8m tonnes of wheat this year, up from 56.86m the previous year. No separate estimates for durum are available, but officials in the agriculture ministry say it accounts for a negligible amount of the total.

In Punjab, farmers in Khanna, Ludhiana district, Asia's largest grain market, have begun to grow yellow-rust resistant varieties of durum. The farmers know that while India's low-value bread wheat – used for domestic consumption – can fetch a maximum price of $100 a tonne, durum would yield an additional $10 a tonne on the market.

About 10 per cent of Punjab's total wheat area is under durum, with a total production of 0.8-1m tonnes. A small amount of durum is also grown in central and southern India.

India, the world's fourth largest wheat growing country, has no tradition of consuming pasta, which remains an essentially western product, and availability is confined to the cities. The per capita consumption of pasta products in the country is 80 grams a year compared with 5kg in the US and 30kg in Italy, but government incentives to encourage the growth of durum for export may help tha minuscula domestic pasta market to grow as well.

The arrival of several food multinationals vying for India's vast untapped markets may further encourage durum wheat growers. Pizza Hut, the American food chain, will need durum wheat to make its pizza bases.

The removal of the minimum export price does not necessarily guarantee increasad exports. India faces stiff competition from developed countries like the US, which heavily subsidises its sales using funds available under its export enhancement programma. While India has difficulty realising a price of $100 a tonne, the price of US wheat for Asian markets varies from $122 a tonne for hard red winter wheat (HRW) to $218 a tonne for durum non-specified (DNS).

Officials in the commerce ministry are even more pessimistic about the performance of non-basmati rice on the export market, even after the minimum floor price is lifted. While there was a sharp rise in basmati exports when the minimum axport price was removed in January, Indian non-basmati varieties would find it hard to compete internationally, even without a floor price.

Non-basmati exports slumped to 3,984 tonnes last June from 13,096 tonnes in April.

Officials say that Indian foodgrains, especially rice, cannot compete internationally, mainly because of the high levels of farm subsidies in developed countries. Indian foodgrains becoma even less competitive once transport and loading costs have been added.

"Once the Uruguay Round agreement is implemented and farm subsidies in developed countries reduced gradually, India's competitiveness should increase dramatically," says an official from the commerce ministry.

MARKET REPORT

Confusion sends coffee tumbling

By Deborah Hargreaves

International coffee prices tumbled by $153 a tonne yesterday as London traders expressed confusion over Brazilian government plans to halt stockpile sales. The November futures contract in London slipped to $3,840 a tonne.

Brasilia halted its weekly auction of the government coffee stockpile when it failed to dampen domestic inflation. Yesterday, influential growers' groups called on the government to restart the auctions, claiming their members would be adversely affected.

International prices were boosted last week when Brasilia called a halt to the auctions with the market touching $4,060 a tonne – close to an 8½ year peak. But prices dropped by $200 a tonne with speculation that the government would resume export sales.

Shrinking surplus puts platinum level

By Kenneth Gooding, Mining Correspondent

The platinum market is likely to be in balance this year for the first time since 1989, according to Mr Michael McMahon, chairman of Impala Platinum, the world's second-biggest producer.

Persistent supply surpluses in the past four years have depressed prices. Now Impala is forecasting that last year's surplus of 365,000 troy oz will fall to 80,000oz.

Mr McMahon suggested yesterday that even this potential surplus might be eroded because car companies – the biggest users of platinum – had been re-stocking at a greater rate than Impala had anticipated.

Over-supply hit the market after South African producers increased capacity following a surge in prices to nearly $550 an ounce in the late 1980s.

Impala's own expansion plans have been substantially reduced and two platinum mines in which it has an interest – Kennedy's Vale and Crocodile River – have been mothballed, while development of the Messina project has been suspended.

Mr McMahon said it would take about three years to bring the two mines back into production. Although the industry could look forward to "steady but unexciting" growth in demand for platinum, "this is a commodity-type industry now and there are ore reserves that can be brought into production to stop us getting too fat and happy".

In this context, the decision of BHP, Australia's biggest group, to proceed with a platinum mine in Zimbabwe was "misguided," suggested Mr McMahon.

Platinum reached a 3½-year peak of $430 (£277) an ounce in July. Last night the price closed in London at $417.50.

Sawmill talks may restart

By Robert Gibbens in Montreal

A strike in British Columbia's coastal logging and saw milling industry may yet be averted.

Mr Gerry Stoney, president of the IWA-Canada, representing 15,000 coastal wood workers, said "informal attempts" were being made to restart full negotiations with the employers' group in Forest Industrial Relations.

"We broke off negotiations at the weekend because of a log jam over pay and job security," Mr Stoney said in Vancouver yesterday.

FIR has offered 6 per cent over three years plus a C$500 (£235) signing bonus, while the IWA-Canada has reduced its original pay demand from 18 per cent to 13 per cent over three years.

"The company must improve their offer before full negotiations can resume," said Mr Stoney. "In any case no settlement is likely before the weekend. Job security is highly important for us."

Sporadic stoppages by wood workers on Vancouver Island were halted early this week after the provincial Labour Relations Board ruled that they were illegal.

Malay rubber imports up

By Kieran Cooke in Kuala Lumpur

Malaysia, until the late 1980s the world's biggest natural rubber exporter, has had to import record amounts of the commodity this year to fuel its own processing industry.

Natural rubber imports increased by 96 per cent in the first five months of this year to 94,400 tonnes, the Malaysian statistics department said.

In 1988 Malaysia produced 1.8m tonnes of natural rubber, but this year's production is forecast to be about 1m tonnes. Natural rubber exports in the first five months of the year were down 6 per cent at 365,000 tonnes.

Labour shortages, sharp increases in land values and a period of low natural rubber prices which lasted until earlier this year have forced many growers to turn to more lucrative commodities like palm oil or sell their land for development.

The country's processing factories have had to make up for a shortfall in local supply through increased imports, mainly from Thailand and Burma.

Malaysia's processing industry uses about 300,000 tonnes of natural rubber each year.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1557.5-8.5	1582-3
Previous	1564-5	1588-9
High/low		1590/1579
AM Official	1564-5	1588-9
Kerb close		1578-9
Open int.	269,164	
Total daily turnover	64,020	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1560-5	1583-8
Previous	1545-55	1570-80
High/low		1586/1580
AM Official	1565-70	1580-5
Kerb close		1580-5
Open int.	2,910	
Total daily turnover	171	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	615-6	627.5-8
Previous	616-7	626-7
High/low	612	630/624
AM Official	611-2	623-4
Kerb close		630-1
Open int.	41,629	
Total daily turnover	10,810	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6545-55	6645-50
Previous	6465-75	6565-70
High/low		6650/6530
AM Official	6480-5	6584-5
Kerb close		6610-5
Open int.	62,360	
Total daily turnover	14,642	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5300-5	5375-80
Previous	5260-90	5360-70
High/low		5375/5340
AM Official	5270-80	5350-5
Kerb close		5360-70
Open int.	10,879	
Total daily turnover	2,300	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	983.5-4.5	1006-7
Previous	982-3	1005.5-6
High/low	997	1008/999
AM Official	977-7.5	1000-0.5
Kerb close		1008-9
Open int.	95,906	
Total daily turnover	21,203	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2497-8	2512-3
Previous	2503-4	2518-9
High/low		2518/2495
AM Official	2492-3	2507-8
Kerb close		2501-2
Open int.	218,125	
Total daily turnover	39,276	

■ LME AM Official £/$ rate: 1.5849
LME Closing £/$ rate: 1.5585

Spot:1.5573 3 mths:1.5546 6 mths:1.5519 9 mths:1.5572

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Sep	120.60	+1.15	121.25	120.10	4,594	892
Oct	117.20	+1.05	116.90	116.70	1,678	286
Nov	116.10	+0.45	116.50	116.10	694	20
Dec	115.80	+0.45	116.65	115.10	38,974	8,079
Jan	115.35	+0.45	115.00	114.80	547	4
Feb	114.90	+0.45	-	-	428	14
Total					86,223	19,270

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	390.30-390.70	
Opening	390.20-390.70	
Morning fix	390.40	249.457
Afternoon fix	390.30	249.281
Day's High	390.90-391.20	
Day's Low	390.00-390.30	
Previous close	389.50-389.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.37	6 months	4.60
2 months	4.40	12 months	5.00
3 months	4.42		

Silver Fix	p/troy oz.	US cts equiv.
Spot	348.35	546.26
3 months	353.10	552.90
6 months	358.25	559.70
1 year	371.50	578.60
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	394-397	255-258
Maple Leaf	401.10-403.60	-
New Sovereign	91-94	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	389.1	-1.5	390.0	390.0	-	-
Oct	389.9	-1.6	391.9	389.4	8,230	490
Nov	391.4	-1.6	-	-	-	-
Dec	392.9	-1.6	395.0	392.3	91,425	22,873
Feb	396.2	-1.6	398.2	396.6	13,682	142
Apr	399.5	-1.6	401.3	401.3	6,794	2
Total					159,123	23,780

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	413.7	-4.4	419.7	413.5	14,224	1,872
Jan	417.7	-4.5	424.0	417.0	7,814	432
Apr	421.1	-4.4	426.5	420.0	2,063	28
Jul	424.6	-4.4	426.0	423.0	463	2
Oct	427.3	-4.4	-	-	227	125
Total					24,781	2,459

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	148.50	+0.25	149.00	149.00	87	40
Dec	149.25	-0.60	150.75	149.00	5,646	740
Mar	150.00	-0.60	151.00	150.50	977	12
Jun	151.00	-0.60	-	-	152	1
Total					6,865	882

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Sep	542.6	-3.8	546.0	544.0	578	48
Oct	544.2	-3.8	549.0	549.0	7	-
Nov	546.2	-3.8	-	-	-	-
Dec	548.7	-3.8	555.0	548.0	82,558	13,270
Jan	551.1	-3.8	-	-	59	1
Mar	556.9	-3.8	563.5	556.5	9,070	108
Total					107,876	13,429

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	16.80	-0.32	17.14	16.82	55,636	42,636
Nov	17.02	-0.28	17.34	16.90	79,883	30,757
Dec	17.21	-0.27	17.40	17.02	54,096	18,820
Jan	17.36	-0.24	17.50	17.25	38,646	7,221
Feb	17.42	-0.25	17.56	17.42	20,483	4,331
Mar	17.49	-0.24	17.62	17.39	15,036	1,714
Total					396,902	121,303

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	15.73	-0.12	15.74	15.44	54,597	22,875
Nov	15.95	-0.10	15.97	15.69	56,844	26,405
Dec	16.12	-0.17	16.15	15.89	28,595	6,019
Jan	16.25	-0.16	16.26	16.05	11,842	1,188
Feb	16.31	-0.04	16.31	16.13	7,230	2,039
Mar	16.35	-0.10	16.35	16.22	6,598	737
Total					172,677	60,386

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	47.50	-0.82	48.12	47.10	37,415	18,704
Nov	48.60	-0.59	49.20	48.20	22,935	8,882
Dec	49.70	-0.57	50.30	49.40	40,230	9,547
Jan	50.55	-0.57	51.25	50.30	22,348	6,441
Feb	51.10	-0.47	51.70	50.90	12,113	2,570
Mar	50.90	-0.17	51.40	50.75	10,682	1,579
Total					170,882	50,286

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	148.75	-1.50	149.00	148.75	1,444	7,962
Nov	152.25	-0.75	152.25	150.25	36,513	4,561
Dec	154.50	-0.75	154.75	152.75	16,430	4,842
Jan	156.50	-0.75	156.50	154.50	18,365	797
Feb	157.25	-0.50	156.50	155.75	13,478	58
Mar	157.00	-0.75	157.00	155.25	4,735	778
Total					101,886	29,289

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	1.705	+0.030	1.705	1.666	27,834	14,153
Nov	1.925	+0.019	1.930	1.891	23,153	5,925
Dec	2.120	+0.010	2.125	2.110	26,475	2,458
Jan	2.150	+0.010	2.155	2.145	15,191	1,054
Feb	2.075	+0.013	2.080	2.070	12,475	997
Mar	2.020	+0.015	2.025	2.015	9,723	735
Total					139,579	27,788

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	43.40	-1.54	45.23	43.05	28,083	21,475
Nov	44.25	-1.29	45.20	43.80	18,420	11,712
Dec	52.50	-0.82	52.85	51.90	8,960	6,398
Jan	51.70	-0.77	51.85	51.50	5,923	2,659
Feb	51.90	-0.57	52.40	51.50	3,840	1,354
Mar	52.85	-0.62	52.80	52.80	853	325
Total					88,119	44,387

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	108.50	+0.50	108.50	108.50	168	24
Nov	107.85	+0.85	107.80	107.50	2,737	196
Jan	109.85	+0.85	109.85	109.80	1,839	53
Mar	111.90	+0.90	111.75	111.60	1,088	7
May	114.05	+1.05	114.00	113.75	1,188	86
Jul	116.30	+0.60	118.40	116.00	191	134
Total					7,289	499

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	379/0	-2/0	380/0	377/4	718	360
Dec	392/6	-3/0	395/0	391/2	48,278	10,314
Mar	399/4	-2/6	402/0	399/0	17,666	2,958
May	383/6	-3/4	390/0	383/4	2,542	688
Jul	353/2	-1/4	354/0	352/0	3,829	1,207
Sep	356/2	-3/6	-	-	18	3
Total					72,812	16,888

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	221/2	-2/6	223/0	221/0	5,980	3,877
Dec	222/2	-3/4	224/6	222/0	133,431	18,742
Mar	232/0	-3/0	234/0	231/6	34,037	2,826
May	238/2	-2/0	240/4	238/2	13,511	850
Jul	242/6	-3/0	244/4	242/4	13,314	1,261
Sep	245/2	-2/2	-	-	926	73
Total					207,837	28,793

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	102.50	-0.50	-	-	31	-
Nov	104.50	+0.10	104.50	104.50	489	10
Jan	106.85	+0.15	106.60	106.50	382	5
Mar	109.10	+0.10	-	-	79	-
May	110.90	-	-	-	21	-
Total					1,002	15

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	575/4	-6/0	581/4	575/4	3,458	562
Nov	569/0	-5/0	572/0	568/0	78,286	26,821
Jan	577/6	-5/0	580/4	577/0	16,020	2,888
Mar	587/0	-4/6	589/4	586/4	8,131	937
May	594/4	-3/6	596/0	594/2	4,995	566
Jul	599/2	-4/0	601/4	599/2	6,801	960
Total					123,515	32,846

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	28.60	+0.02	28.80	28.68	3,858	1,157
Oct	26.39	-0.02	26.41	26.28	17,095	4,980
Dec	25.84	-0.09	26.00	25.86	41,665	13,349
Jan	25.66	-0.09	25.67	25.60	6,157	1,532
Mar	25.27	-0.18	25.35	25.20	7,823	2,071
May	24.98	-0.27	25.00	24.95	4,257	524
Total					82,981	24,085

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	170.7	-0.5	170.8	170.8	4,158	3,530
Oct	157.2	-1.0	168.0	167.1	12,947	4,970
Dec	157.3	-1.0	168.7	167.0	38,557	9,829
Jan	168.3	-1.0	170.0	168.1	8,880	2,028
Mar	171.4	-1.7	173.0	171.0	8,391	617
May	173.0	-1.5	174.7	173.0	5,001	980
Total					81,325	22,279

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	180.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	226.5	+2.5	227.5	225.0	1,478	107
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,478	107

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1565	+11	1565	1552	387	24
Oct	1577	+12	1575	1551	623	47
Nov	1575	+11	1576	1551	77	66
Jan	1545	+10	1545	1540	586	10
Apr	1560	+20	-	-	374	-
Jul	1440	+30	-	-	60	-
Total					2,347	147

	Close	Prev
BFI	1516	1506

Cotton
Spot and shipment sales in Liverpool amounted to 50 tonnes for the week ended September 9 against 240 tonnes in the previous week. Restricted operations involved few fresh dealings with only occasional interest displayed in central American styles.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	954	-15	967	954	57	5
Dec	984	-12	1000	982	27,506	1,486
Mar	1015	-13	1032	1014	33,136	887
May	1027	-16	1045	1034	11,834	133
Jul	1041	-13	1051	1041	5,548	37
Sep	1054	-14	-	-	8,220	-
Total					86,350	2,886

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1266	-21	1298	1292	43	2
Dec	1341	-21	1353	1336	42,911	5,806
Mar	1386	-20	1400	1383	13,827	825
May	1418	-19	1488	1417	4,006	122
Jul	1444	-19	1450	1440	2,898	193
Sep	1464	-18	-	-	1,297	3
Total					73,196	6,881

■ COCOA (ICCO) (SDR's/tonne)

Sep. 13	Price	Prev. day
Daily	1019.85	1008.52

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	3945	-158	4095	3920	2,088	160
Nov	3840	-153	3980	3775	13,258	5,458
Jan	3793	-169	3950	3730	13,544	2,159
Mar	3725	-166	3870	3665	6,860	432
May	3680	-153	3795	3705	1,539	36
Jul	3680	-165	3770	3680	624	12
Total					37,884	8,257

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	207.15	-9.85	214.00	207.00	156	46
Dec	212.70	-8.00	219.75	211.20	22,822	7,735
Mar	219.40	-8.00	222.50	219.40	7,192	1,386
May	220.40	-6.00	221.50	220.40	3,062	461
Jul	221.40	-6.00	222.50	221.40	800	21
Sep	222.40	-6.00	225.00	225.00	377	33
Total					34,801	9,796

■ COFFEE (ICO) (US cents/pound)

Sep. 13	Price	Prev. day
Comp. daily	204.14	204.01
15 day average	194.73	192.84

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.91	+0.21	12.88	12.67	1,701	177
Jan	11.82	-	-	-	-	-
Mar	12.68	-	-	-	90	-
Total					1,791	177

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	338.40	+3.80	338.70	332.50	2,251	1,646
Dec	331.80	+3.60	332.50	327.50	3,841	770
Mar	332.50	+3.20	332.20	328.10	7,189	1,148
May	332.30	+3.30	330.50	328.50	845	25
Aug	332.10	+4.30	331.80	328.00	758	130
Oct	316.00	+3.70	314.00	312.00	253	180
Total					15,136	3,864

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.75	+0.21	12.78	12.47	33,540	15,674
Mar	12.59	+0.12	12.61	12.43	82,101	17,121
May	12.53	+0.13	12.55	12.39	12,824	2,784
Jul	12.38	+0.10	12.39	12.25	7,725	1,812
Oct	12.17	+0.06	12.18	12.07	2,586	798
Mar	11.72	+0.08	11.70	11.64	662	57
Total					130,546	38,246

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	72.42	+0.02	72.60	71.90	3,081	385
Dec	71.47	+0.46	71.48	70.50	26,798	6,587
Mar	72.72	+0.42	72.75	71.80	9,094	880
May	73.70	+0.32	73.75	73.00	5,012	191
Jul	74.25	+0.37	74.35	73.88	3,506	72
Oct	70.85	+0.25	-	-	485	11
Total					48,946	8,126

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	84.40	-1.10	84.75	83.50	97	22
Nov	87.85	-1.40	89.10	86.70	11,786	522
Jan	91.10	-1.80	92.80	90.50	5,418	411
Mar	95.25	-1.25	96.60	94.50	3,704	107
May	98.75	-1.15	-	-	882	41
Jul	101.50	-0.90	101.50	101.50	496	1
Total					22,873	1,108

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 14	Sep 13	month ago	year ago
2112.4	2097.1	2072.3	1634.4

■ CRB Futures (Base: 1967=100)

Sep 13	Sep 12	month ago	year ago
232.53	233.14	229.17	212.35

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	69.825	+0.050	70.000	69.550	31,747	8,149
Dec	69.100	-0.100	69.250	68.850	19,533	4,084
Feb	67.900	+0.025	68.100	67.725	12,109	1,504
Apr	69.125	-0.125	69.300	69.100	8,286	881
Jun	66.250	+0.025	66.300	66.200	1,954	132
Aug	65.900	+0.050	65.900	65.850	926	12
Total					74,706	12,880

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	38.850	-0.100	39.100	38.550	10,978	1,920
Dec	39.575	-0.100	39.675	39.400	11,305	1,752
Feb	39.825	-0.175	40.250	39.800	3,302	291
Apr	39.275	-0.100	39.500	39.275	2,045	87
Jun	44.450	-0.050	44.500	44.350	682	37
Aug	43.050	-0.050	43.200	43.000	88	7
Total					28,820	4,686

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	41.375	-0.375	42.200	41.025	7,572	1,556
Mar	41.325	-0.400	42.025	40.850	508	98
May	42.000	-0.300	42.400	41.900	110	25
Jul	43.200	-0.325	43.550	43.000	148	29
Aug	42.050	-0.375	42.050	42.000	35	9
Total					8,373	1,717

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1550	37	84	23	53
1575	25	71	36	64
1600	10	60	50	77
■ COPPER (Grade A) LME	**Oct**	**Jan**	**Oct**	**Jan**
2400	106	146	10	50
2500	40	91	43	93
2600	10	52	112	152
■ COFFEE LCE	**Nov**	**Jan**	**Nov**	**Jan**
3600	319	430	79	237
3650	285	403	95	260
3700	254	377	114	284
■ COCOA LCE	**Dec**	**Mar**	**Dec**	**Mar**
975	49	96	40	56
1000	36	83	54	68
1050	22	61	88	96
■ BRENT CRUDE IPE	**Nov**	**Dec**	**Nov**	**Dec**
1600	-	69	65	-
1650	25	53	96	97
1700	17	37	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)		+or-
Dubai	$14.78-4.82u	-0.220
Brent Blend (dated)	$15.28-5.29	-0.205
Brent Blend (Nov)	$15.85-5.88u	-0.220
W.T.I. (1pm est)	$17.02-7.04u	-0.215

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$173-176	-7.0
Gas Oil	$148-149	-3.0
Heavy Fuel Oil	$71-74	-0.5
Naphtha	$155-165	-3.0
Jet fuel	$168-169	-1.0

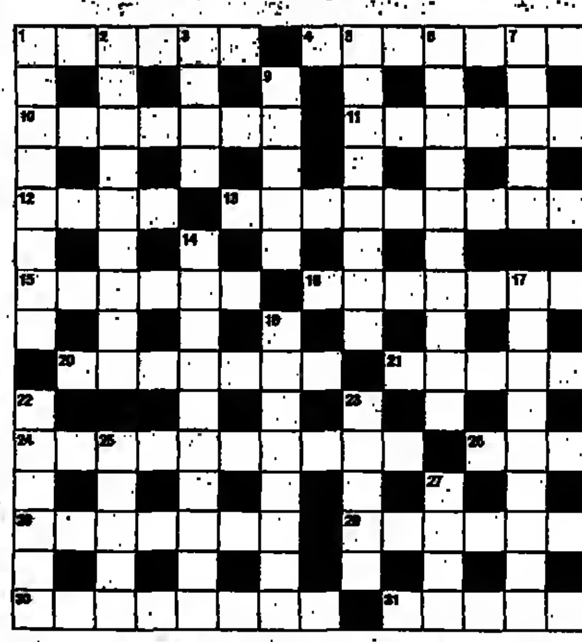
Petroleum Argus assessments

■ OTHER		
Gold (per troy oz)♣	$390.50	+0.80
Silver (per troy oz)♣	546.5c	+1.5
Platinum (per troy oz.)	$417.50	+2.25
Palladium (per troy oz.)	$149.55	+1.05
Copper (US prod.)	124.0c	-1.0
Lead (US prod.)	38.25c	
Tin (Kuala Lumpur)	13.35m	+0.05
Tin (New York)	246.5c	
Cattle (live weight)†◊	116.13p	-0.12*
Sheep (live weight)†♠◊	86.59p	-1.74*
Pigs (live weight)◊	73.80p	-1.73*
Lon. day sugar (raw)	$309.40	+3.30
Lon. day sugar (wte)	$344.00	+2.00
Tate & Lyle export	£310.00	+2.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$136.0	
Wheat (US Dark North)	£180.0	
Rubber (Oct)♥	66.50p	+1.00
Rubber (Nov)♥	65.50p	+1.00
Rubber KL RSS No1 Aug	321.00m	+3.50
Coconut Oil (Phil)§	$635.0z	+10.0
Palm Oil (Malay.)§	$620.0t	+5.0
Copra (Phil)§	$389.0	
Soyabeans (US)	£165.0u	
Cotton Outlook 'A' Index	75.95c	+0.10
Wooltops (64s Super)	466p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov. t Oct. z Sep/Oct. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. ◊ Prices are for previous day.

CROSSWORD

No.8,559 Set by ADAMANT



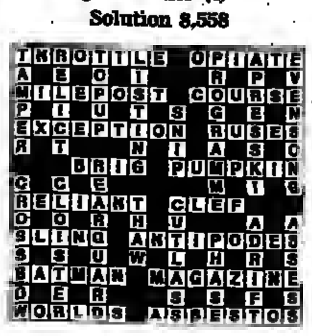
ACROSS

1 Those who can stand on their own two feet (6)
4 Appalling fraud led to shake-out (8)
10 One or more miners with real problems (7)
11 Looks at guns first, then spears (7)
12 Get more of a bore on paper? (4)
13 Creature which can seem loud if disturbed (10)
15 Academician in good health again, we hear (6)
16 Run into early proof of heights reached by theatre audiences (7)
20 Maker of an experimental reactor (7)
21 Second singer from Liverpool to make a bloomer (6)
24 "Inflammation" is a clue I still worry about (10)
26 Another opportunity to play the part of the leading man (4)
28 Speed or contents of motoring body's vessel (7)
29 One found in damaged cattle grid (7)
30 Desist in disarray after engineers put up a fight (8)
31 Dazed but till showing spirit (6)

DOWN

1 A prank but it could bring ruin (8)
2 Show a down-to-earth hair style (9)
3 Tried coming back having missed the English soil (4)
5 Algerian disposed of the king (8)
6 Its rousing sound should bring you to your feet (5,5)
7 Cover up some of life's horrific human tragedies (5)
8 Tied up and beaten (6)
9 Runny virus for one day (5)
14 Commercial Union's taken over our mail – it's wonderful! (10)
17 Taking the place of England in the re-enactment (9)
18 Car test I have at the centre will get things going (8)
19 It's clear Joy was playing around and just kidding (8)
22 The City was left on song – it's a piece of cake! (6)
23 Stupid step at the Yard (5)
25 Makes giant strides among up-and-coming wise politicians (6)
27 Teacher puts in time to get things in motion (4)

Solution 8,558



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Shares fall heavily after August inflation data

By Terry Byland, UK Stock Market Editor

The UK stock market suffered its largest one-day drop for nearly four months yesterday after an unexpected jump in the August retail price index raised concern that this week's rise in base rates might soon be followed by another. Led by selling from the futures markets, the FT-SE 100-share Index fell 41.6 points, breaking through an important support level, to finish at 3,079.8.

The 0.5 per cent rise in headline inflation in August was worse than expected and served to explain the factors behind Monday's ½ percentage point increase in Bank of England lending rate – one agency reporting that Treasury ministers had seen the preliminary headline figures last week. Average earnings statistics remained steady but a dip in the August unemployment rate was seen as indicating strengthening economic recovery.

Equities opened firmly, benefiting from overnight strength on Wall Street, but were quickly overwhelmed by the RPI figures and the consequent setback in UK government bonds. Attempts to rally proved unsuccessful and the Footsie was already down hy 41 points at midsession.

The mood was not helped in the afternoon by negative comments on German interest rate prospects from the deputy president of the Bundesbank, ahead of today's meeting of the central bank's policy committee; a survey of analysts voted heavily against the likelihood of a rate cut today hy the Bundesbank.

The Footsie teetered on the 3,080 mark for some time, as UK equity chartists warned that a move below this level would leave the index vulnerable down to 3,050 and then, perhaps, all the way to 2,970. But the late afternoon saw further weakness, with the September futures contract on the Footsie traded down to 3,067.

London paid no heed to the New York market, where the Dow Industrial Average was two points off in UK hours following the announcement of the latest US wholesale price statistics.

Although trading volume was not greatly different from recent daily levels, there was no doubting the waves of red on the trading screens as marketmakers lowered their prices in the face of determined selling. At least one large selling programme was identified, said to be from a London trading house noted for its astute dealing instincts.

The setback spared no sectors of the market. The FT-SE Mid 250 Index, taking in a range of non-Footsia stocks, dropped by 50.7 points to 3,628.4. There were substantial losses among the consumer and leisura stocks. Building and construction shares suffered more modest losses, hut only because they had already reacted sharply when base rates were raised at the beginning of the week.

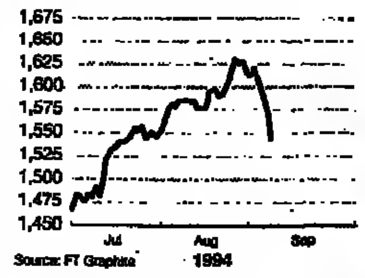
Bank shares reacted badly to worries that their customers might slide back into the bad debtor category if domestic interest rates continue to rise. Even the utility sectors, which have heen seen as defensive areas in a nervous market, proved unahle to resist the general trend.

The speed of the market's reaction restrained the would-be sellers, who saw prices tumhling before they could reach their telephones. The day's Seaq total declined to 539.6m shares from the 587.2m recorded on Tuesday, when retail business was worth £1.16bn.

The stock market went home in a thoroughly chastened mood, with traders awaiting the further economic data due this week from both sides of tha Atlantic. Today brings the UK retail sales figures for last month, which analysts believe will show a slowdown from the 0.4 per cent growth of the preceding month.

The latest UK Public Sector Borrowing estimates are due tomorrow, when markets also face the August production figures from the US.

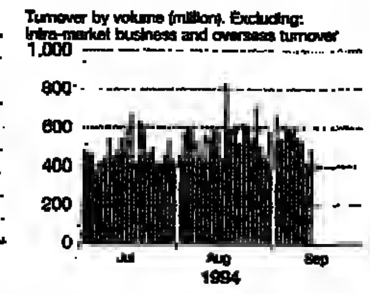
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3079.8	-41.6	FT Ordinary index	2397.4	-29.1
FT-SE Mid 250	3628.4	-50.7	FT-SE-A Non Fins p/e	19.07	(19.31)
FT-SE-A 350	1555.5	-21.1	FT-SE100 Fut Sep	3064.0	-54.0
FT-SE-A All-Share	1546.37	-20.21	10 yr Gilt yield	8.99	(8.81)
FT-SE-A All-Share yield	3.88	(3.82)	Long gilt/equity yld ratio:	2.30	(2.30)

Best performing sectors

1 Health Care ... -0.3
2 Transport ... -0.4
3 Chemicals ... -0.4
4 Household Goods ... -0.5
5 FT-SE SmallCap ex IT ... -0.8

Worst performing sectors

1 Water ... -2.5
2 Distributors ... -2.4
3 Insurance ... -2.1
4 Spirits, Wines & Cider ... -2.0
5 Tobacco ... -1.8

BP firm against the trend

A reiteration of NatWest Securities' positive stance, plus a profits upgrade and expectations of good news from today's presentation to analysts, helped British Petroleum shares extend their recent outperformance against the rest of the stock market.

The share price, which set an all-time high of 430p last week, ended the session a penny firmer at 417½p after heavy turnover of 13m shares.

NatWest, in a huy note published yesterday, said BP shares have outperformed the UK market by 50 per cent since July 1992 and argued that "steps taken to improve the competitiveness of its upstream business could boost earnings by some £440m, or 8p a share, at any given level of oil prices".

NatWest's oil team, adopting a conservative line on a new "federal" structure in BP's upstream businesses, which it says will drive the new competitiveness, increased its 1996 earnings per share forecast by 10 per cent to 40.4p and for 1997 by the same figure to 42.7p.

The presentation to anlysts, to be given by BP's exploration director Mr John Browne, is expected to include more good news from BP's operations across the globe, but especially from Colomhia, Vietnam and west of the Shetland Islands.

Carlton optimism

Media group Carlton Communications stood out as the principal hright spot in the London market as the shares responded to reports of growing advertising revenue, as well as company presentations to analysts.

Latest industry research shows that forward booking for advertising slots in October has increased by 6 per cent. The pressure is thought to have come from the emergence of some hig advertisers such as Eurotunnel – ahead of the opening to the public of the Channel tunnel – and the National Lottery. There is also the traditional pre-Christmas pick-up.

Analysts pointed out that as there is no need for production costs to rise the increased demand would tranolate directly into bottom line profits. Carlton is the UK's leading independent television group and the stock received additional support from company presentations ahead of the group's September year-end. The shares jumped 19 to 875p with turnover higher than average at 1.5m.

Inchcape weak

Inchcape, the vehicle distributor, continued to slide, the shares losing 17 to close at 415p. The long-term strength of the yen, which has driven up Japanese import prices, has hit Inchcape sales. Analysts forecast that the results dne on September 26 will be below last year. One leading analyst forecast pre-tax profits for the first half of £115m, down from last year's £130m, and there is City sentiment that the group may have to regain a good deal of ground in the second half.

Prudential shares performed well, closing a penny up on balance at 314p after good turnover of 5.6m. The interim figures came in above most estimates and there was satisfaction with the 9 per cent increase in the dividend. Legal & General lost 8 to 453p ahead of this morning's interims.

P&O retreated 14 to 660p on profit-taking in thin volume.

Better than expected half-year profits from Associated British Ports pushed the shares up 9 to 272p.

Airports group BAA put on 2 at 495p as traders digested August's strong passenger flows which, showing a rise of 6.4 per cent, have further underlined the trend to weakening market share at British Airways, where passenger volume could only gain 5.2 per cent for last month. BA dipped 4 to 398p.

Eurotunnel slipped a penny to 270p, perilously near to the 265p price of May's rights issue.

Shell Transport moved in the opposite direction to BP, the shares slipping 11 to 722p, with dealers noting renewed switching out of the stock into BP, in spite of the prospect of a good interim dividend increase which is scheduled for this afternoon.

Most analysts are looking for Shell to lift the interim payment by around 10 per cent.

Calor Gronp came in for good support after announcing better than expected interim figures. Dealers are looking for a healthy increase in the group's final dividend and the shares moved up 7 to 294p.

"A yield premium of 45 per cent is just about right for Calor, which is not a growth stock," said one analyst. There were no shocks with Lasmo's interims, and the shares dipped 4 to 155p.

British Gas failed to hold on to an early modest rise, easing to close a net 4 off at 290p ahead of tomorrow's analysts trip to Hinckley.

Biotech group Celltech held steady at 206p as a huge overhang of stock was removed after the administrators of residual shareholder British & Commonwealth offloaded most of its stake into the market. Celltech announced that Cazenove had placed 12.5m shares in the market at 200p each, 11m of which came from the B&C administrators and took their stake down to 4.3 per cent from 19.9 per cent.

Blenheim, Europe's largest conference organiser, dropped 28 to 215p after warning that tough trading in its key French market meant full-year profits would come in below hudget.

Media and communications group Aegis declined 2 to 30p on disappointing interims.

Retailer Marks and Spencer recovered from a day's low of 402p to end a net 1½ higher at 406p after bargain hunters were encouraged by elements of the latest UK inflation data.

Some analysts pointed out that a 2.2 per cent gain in clothing and footwear would benefit the high street chain. They said M&S had avolded much of the increase in raw materials prices by buying forward.

Half-time figures from sausage skin manufacturer Devro International failed to please and the shares dropped 19 to 230p.

British Aerospace stood out among a number of sharp engineering share price movements, sliding 16 to 494p in nervous trading ahead of next week's half-year results.

British Steel edged ahead a half-penny to 149p against the market trend. Trading volume was a very heavy 10.8m, with the shares acquiring something of a refuge stock tag.

There were steep declines in some of the smaller market capitalisations, notably Ransomes, best known for its lawn mowers and down 7 at 57p, and controls and compressed air specialist Siebe, 15 weaker at 536p for a drop this week of 29.

MARKET REPORTERS:
Peter John, *Jeffrey Brown*, Steve Thompson, Ramraj Gogna.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (22).
BUILDING & CNSTRN (1) Sindall (Wm), BLDG MATLS & MCHTS (2) Grafton, Kingspan, DISTRIBUTORS (1) Wyko, EXTRACTIVE INDS (7) Eastern Transvaal Consld., Elandsrand Gold., Free State Devlpt., Harmony, Kingstream Res., New Wits, ... HOUSEHOLD GOODS ... INVESTMENT TRUSTS ... [illegible]
NEW LOWS (148).
GILTS (30) ... [illegible]

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures took a beating yesterday, hit first by the release of disappointing UK inflation data and tumbling further in mid-afternoon when the cash market came under heavy selling pressure, *writes Jeffrey Brown*.

The September contract on the FT-SE 100 got under way at 3,120 but deteriorated almost from the opening. It closed at 3,064, with the discount to tha cash market standing at 16 and a fair value premium of slightly under ona point.

The retreat was mostly led by independent traders – locals – who continued to dominate business, but at least one leading institutional marketmaker was said to be active on a day when volume was broadly in line with the previous day.

Trading volume totalled 21,874 lots, with up to 8,000 of this reflecting roll-over into the December contract, where turnover was just short of 10,000. The September contract expires tomorrow morning.

Activity in traded options tailed off, falling slightly below 40,000, against 56,282 on Tuesday. FT-SE option volume just topped 20,000, making 24,948 with the inclusion of tha Euro FT-SE option trade.

Barclays (2,082 lots) and Glaxo (1,704) were the most actively traded individual stock options, with British Petroleum and HSBC Holdings not far behind.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3120.0	3064.0	-54.0	3120.0	3060.0	23086	21262
Dec	3130.0	3073.5	-55.5	3130.0	3068.0	9955	39398
Mar	3110.0	3098.5	-57.5	3110.0	3110.0	40	575

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3652.0	3620.0	-57.0	3652.0	3620.0	211	3000
Dec	3675.0	3643.0	-57.0	3675.0	3643.0	200	2080

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3621.0	-				636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3079) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

Nov	181½	37	113	67½		61	114½		27½	180
Dec	198	50	131	83½		80	130½		42½	191½
Mar†	242½	74	180½	109½		128	153½		87½	210

Calls 7,775 Puts 7,045 * Underlying index value. Premiums shown are based on settlement prices. † long dated expiry months

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500	3550	3600	3650	3700	3750	3800	3850
Sep			37½ 8	10½ 31	1½ 71½			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	8,600	68	-½
Abbey National†	2,800	403	+2
Albert Fisher	146	48	
Allied-Lyons†	1,200	576	-17
Anglian Water	614	531	-13
Argos	334	344	
Argyll Group†	1,600	284	-½
Arjo Wiggins†	1,000	272	-5
Assoc. Brit. Foods†	48	566	-11
Assoc. Brit. Ports	1,200	272	+9
BAA†	1,200	495	+2
BAT Inds.†	2,300	415	-6
BET	614	106	-2
BICC	144	384	-6
BOC†	650	720	-6
BP†	13,000	417½	+1
BPB Inds.	1,000	282	-5
BT†	9,100	389½	-5½
BT (P/Paid)	7,000	260½	-5½
BTR†	9,000	321	-6½
Bank of Scotland†	1,200	203	-4
Barclays†	5,700	585	-10
Bass†	3,000	552	-5
Blue Circle†	864	293	-4
Booker	254	438	-9
Boots†	1,300	531	-7
Bowater†	2,500	475	-12
Brit. Aerospace†	1,700	478	-16
British Airways†	3,200	393	-4
British Gas†	8,200	290	-4
British Land	392	386	-4
British Steel†	11,000	149	+½
Burtd	422	164	-3
Burmah Castrol†	671	891	-17
Burton	1,300	62½	-½
Cable & Wire†	4,200	413	-4½
Cadbury Schweppes†	1,100	456	-2
Calor Group	353	294	+7
Caradon†	1,500	295	-3
Carlton Comms†	2,200	875	+19
Coats Viyella†	1,500	218	-1
Comm Union†	607	579	-4½
Cookson	1,300	245	-4½
Courtaulds†	1,200	486	-1½
Dalgety	255	465	
De La Rue†	427	946	-22
Dixons	430	190	-5
Eastern Elec.	1,100	752	-8
East Midland Elec.	1,200	712	-12
Eng China Clays	3,700	379	-13
Enterprise Oil†	903	407½	-5½
Eurotunnel Units	219	270	-1
FKI	603	173½	-4½
Fisons	3,600	123	-3
[illegible]			

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FT - SE Actuaries Share Indices — The UK Series

	Sep 14	Day's chge%	Sep 13	Sep 12	Sep 9	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3079.8	-1.3	3121.4	3128.8	3139.3	2989.4	4.11	6.97	16.95	91.70	1181.28
FT-SE Mid 250	3628.4	-1.4	3679.1	3713.3	3736.0	3424.1	3.41	5.79	20.71	92.58	1348.56
FT-SE Mid 250 ex Inv Trusts	3629.2	-1.4	3679.1	3715.9	3739.3	3498.9	3.56	6.27	19.28	95.75	1345.23
FT-SE-A 350	1555.5	-1.3	1576.6	1582.9	1589.2	1500.2	3.94	6.70	17.70	44.79	1198.89
FT-SE SmallCap	1879.72	-0.8	1891.49	1899.35	1904.38	1771.76	3.04	4.18	30.71	39.60	1454.67
FT-SE SmallCap ex Inv Trusts	1848.97	-0.8	1859.54	1867.23	1870.99	1773.31	3.22	4.01	28.32	40.62	1434.72
FT-SE-A ALL-SHARE	1546.37	-1.3	1566.58	1572.85	1578.88	1488.64	3.88	6.51	18.27	43.67	1213.36

■ **FT-SE Actuaries All-Share**

	Sep 14	Day's chge%	Sep 13	Sep 12	Sep 8	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2732.66	-0.8	2756.56	2756.91	2779.10	2242.10	3.30	5.05	24.81	54.77	1088.84
12 Extraction Industries(4)	3917.81	-1.4	3972.32	4019.79	4048.63	3127.00	3.28	5.13	24.39	54.24	1088.14
15 Oil, Integrated(3)	2684.52	-0.7	2703.44	2695.85	2724.37	2178.90	3.43	5.80	22.23	58.99	1093.24
16 Oil Exploration & Prod(11)	1982.12	-1.4	2010.76	1998.06	1987.83	1863.00	2.09	‡	‡	20.86	1136.83
20 GEN MANUFACTURERS(283)	1932.57	-1.3	1958.65	1969.74	1977.46	1869.50	3.95	4.93	24.63	54.67	981.73
21 Building & Construction(32)	1112.81	-1.8	1130.34	1148.89	1175.09	1143.00	3.50	4.79	26.98	23.98	866.81
22 Building Matls & Merchs(31)	1877.32	-1.7	1909.54	1919.57	1939.23	1813.40	3.93	4.82	26.82	47.58	079.83
23 Chemicals(22)	2438.33	-0.4	2448.31	2456.60	2463.18	2209.00	3.61	4.19	30.08	74.17	1079.57
[illegible]											

■ **Hourly movements**

[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	64	4
Other Fixed Interest	0	3	12
Mineral Extraction	37	82	79
General Manufacturers	54	268	322
Consumer Goods	20	68	99
Services	38	161	281
Utilities	3	33	9
Financials	30	162	174
Investment Trusts	14	276	177
Others	30	59	17
Totals	228	1,196	1174

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	September 12	Expiry	December 8
Last Dealings	September 23	Settlement	December 22

Calls: Arcon Intl, BP, Bluebird Toys, Brit Biotech Wts, Division, First Nat Fin, Magnum Power, Navan Res, Takare, Wills Grp, World Fluids. Puts: Arcon Intl, BP, World Fluids. Puts & Calls: Navan Res.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
475	Nil	4/10	58pm	54pm	Commercial Union	54pm	
360	Nil	21/10	48pm	25pm	EMAP	25pm	-4
252	Nil	11/11	34pm	20pm	Weir	20pm	-8

FINANCIAL TIMES EQUITY INDICES

	Sep 14	Sep 13	Sep 12	Sep 8	Sep 8	Yr ago	*High	*Low
Ordinary Share	2397.4	2426.5	2425.3	2426.8	2454.5	2321.2	2713.6	2240.8
Ord. div. yield	4.29	4.24	4.24	4.19	4.15	4.01	4.46	3.43
Earn. yld. % full	6.11	6.04	6.04	6.03	5.98	4.72	6.11	3.82
P/E ratio net	17.47	17.68	17.68	17.73	17.89	27.04	33.43	17.47
P/E ratio nil	18.06	18.28	18.27	16.32	18.48	24.96	30.80	18.06

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2433.0	2421.1	2405.7	2409.4	2407.0	2401.8	2400.5	2400.8	2400.4	2433.7	2394.8

	Sep 14	Sep 13	Sep 12	Sep 9	Sep 8	Yr ago
SEAQ bargains	24,312	25,093	27,505	26,870	27,449	28,904
Equity turnover (£m)†	-	1163.7	1074.9	1278.8	1306.2	1495.0
Equity bargains†	-	27,228	29,812	29,281	29,527	32,518
Shares traded (ml)†	-	480.2	412.7	527.8	545.0	649.5

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL EXPLORATION & PRODUCTION - Cont.

PROPERTY - Cont.

RETAILERS, GENERAL - Cont.

TRANSPORT - Cont.

OIL, INTEGRATED

SPIRITS, WINES & CIDERS

WATER

OTHER FINANCIAL

SUPPORT SERVICES

AMERICANS

LIFE ASSURANCE

MEDIA

CANADIANS

OTHER INVESTMENT TRUSTS

OTHER SERVICES & BUSINESSES

TELECOMMUNICATIONS

INVESTMENT COMPANIES

RETAILERS, FOOD

TEXTILES & APPAREL

PHARMACEUTICALS

MERCHANT BANKS

PRINTING, PAPER & PACKAGING

RETAILERS, GENERAL

OIL EXPLORATION & PRODUCTION

TOBACCO

TRANSPORT

LEISURE & HOTELS

PROPERTY

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¾	-¼	£30	£13½	1,907	2.5	[illegible]
Barlow	Z	£4⅞	—	£5½	£3½	810.2	0.7	
Gold Flds Prop R		118xa	—	128	75	12.2	7.6	
NK Props.	z	85	—	85	85	3.42	14.2	
SASOL	♥	487	-5	498	280	2,768	2.9	
SA Brews		£12¼	+⅛	£15⅞	£10	3,427	2.2	20
Tiger Oats	†	800	—	830	538	902.2	2.6	12
Tongaat-Hulett	h	581	+17	*616½	356¼	538.6	2.2	10

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
p Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
● Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
M Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

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An international service is available for callers outside the UK, annual subscription £250 stg.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. [illegible]

TIME: [illegible] The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. [illegible] before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. [illegible]

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. [illegible]

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, [illegible]

Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

Century Life International Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

LUXEMBOURG (REGULATED)(**)

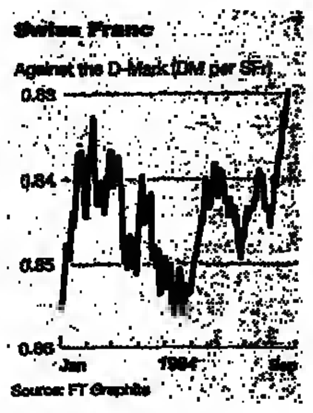
OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Gains for Swiss franc



Continued uncertainty about the outcome of next month's German national elections yesterday helped the Swiss franc to its strongest level since October 1991, *writes Philip Gawith.*

Investors seeking exposure to core European currencies, but wanting to lighten their D-Mark holdings, drove the franc to a London close of SFr0.83, from SFr0.834 on Tuesday, against the D-Mark.

Elsewhere in Europe, though, the D-Mark was generally firmer on declining expectations of another round of rate cuts. Against the escudo it finished at Es102.2, from Es101.9, while against the peseta it closed at Pta83.12, from Pta82.92.

Despite firmer than expected retail sales figures, and rumours of central bank intervention, the dollar closed lower at DM1.5374, from DM1.5493; and at Y98.875 from Y99.045.

Sterling finished firmer against the dollar, but down against the D-Mark, with the trade weighted index unchanged at 79.2.

■ Although the Swiss economy is benefiting from good growth and inflation performances, analysts said the main engine behind the recent appreciation was rising political uncertainty in Germany.

Markets are now nervous about whether Chancellor Kohl and his alliance partners will win sufficient support in next months elections, to continue governing without having to enter a grand coalition.

The D-Mark had recently been bid up following renewed discussion of a multi-tier Europe. But investors, concerned that their exposure to Germany had become overweight, have recently been diversifying into the franc.

Some observers believe the franc is vulnerable to a downside correction, possibly aided by a cut in central bank rates. The central bank has recently been very accommodating in its money market operations, with a three month money bid rate of 3.93 per cent.

Mr Adrian Cunningham, senior international economist at UBS, said this might indicate central bank concern at the impact of exchange rate appreciation on exporters. He said technical charts suggested that if the franc appreciated through SFr0.8230, it might well revisit the 1990 levels of around SFr0.8130.

■ Pound in New York

Sep 14	Latest	Prev. close
£ spot	1.5675	1.5640
1 mth	1.5668	1.5632
3 mth	1.5647	1.5615
1 yr	1.5500	1.5488

■ The higher than expected UK retail price index, which rose 2.4 per cent in the year to August, unsettled the short end of the interest rate market, raising fears of a further tightening of monetary policy. The December short sterling contract traded over 48,000 lots to finish 14 basis points down at 93.23, and prices fell across the length of the yield curve.

Analysts said the figures had undermined, in some quarters, the view that Monday's 50 basis point rise in interest rates had been a pre-emptive strike against inflation.

Mr Richard Phillips, analyst at brokers GNI, said there was a "disturbing bear market psychology" afield. He said investors were using the futures market to hedge cash positions. Futures prices were reflecting this selling pressure, rather than a market view of likely interest rates.

Mr Phillips said the market was looking for another 50 basis point rise in rates before Christmas, rather than the 100 basis points the December contract is discounting.

In its daily operations the Bank of England provided UK money markets with late assistance of £40m after forecasting a £200m shortage. It did not operate in the morning or afternoon rounds. Overnight money traded between 4¼ and 6¾ per cent. Three month sterling LIBOR was unchanged at 5 13/16 per cent.

■ Currency markets appeared to have taken a more positive view of Monday's monetary tightening. Mr Avinash Persaud, currency strategist at JP Morgan in London, said there was now a prospect of sterling decoupling from the dollar.

Earlier in the year sterling had tracked the dollar, rather than the D-Mark, with the market taking the UK policy background – an early pick-up in growth, concerns about inflation and a deteriorating current account – as more similar to the US than Europe.

But Monday's rate move, he said, had gone some way to overcoming market scepticism about the authorities' willingness to take the necessary steps to combat inflation.

Other factors lending support to sterling were potential D-Mark weakness, ahead of the elections; and relative bond market stability, meaning that there was less incentive to take refuge in the D-Mark.

■ There is little expectation of a shift in German interest rates at today's Bundesbank council meeting.

Ms Phyllis Reed, fixed income strategist at BZW, said that while she expected a further cut in rates, the Bank would probably wait for a suitable peg to hang it on – probably in the form of an improved set of money supply figures.

The repo rate also looks unlikely to move, following comments from Mr Johann Wilhelm Gaddum, Bundesbank deputy president. He said the current money supply situation could not justify cutting the repo rate to 4.8 per cent, from 4.85 per cent.

■ OTHER CURRENCIES

Sep 14	£	$
Hungary	166.832 - 166.785	106.250 - 106.300
Iran	2742.00 - 2745.00	1748.00 - 1750.00
Kuwait	0.4658 - 0.4668	0.2971 - 0.2978
Poland	35945.4 - 36008.8	22920.0 - 22958.0
Russia	3592.30 - 3598.60	2290.00 - 2294.00
U.A.E.	5.7583 - 5.7660	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Sep 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0175	-0.008	098 - 252	17.0310	16.9374	17.0132	0.3	17.0013	0.4	-	-	110.1
Belgium	(BFr)	49.7106	-0.0917	881 - 530	49.7590	49.5220	49.7258	-0.4	49.6706	0.3	49.5698	0.7	116.9
Denmark	(DKr)	9.5297	-0.0221	260 - 334	9.5525	9.5075	9.5344	-0.6	9.5538	-1.0	9.5963	-0.7	116.5
Finland	(FM)	7.7729	-0.012	634 - 824	7.7880	7.7350	-	-	-	-	-	-	84.7
France	(FFr)	8.2522	-0.0204	460 - 584	8.2770	8.2348	8.2516	0.1	8.2534	-0.1	8.2075	0.5	110.8
Germany	(DM)	2.4116	-0.0073	105 - 127	2.4201	2.4058	2.4107	0.5	2.4079	0.6	2.3785	1.4	126.6
Greece	(Dr)	367.614	-0.841	298 - 931	367.996	366.257	-	-	-	-	-	-	-
Ireland	(I£)	1.0130	-0.0022	123 - 137	1.0164	1.0101	1.013	0.1	1.0141	-0.4	1.0186	-0.6	104.4
Italy	(L)	2464.35	+4.45	337 - 533	2456.43	2442.58	2460.55	-3.0	2473.05	-3.0	2537.15	-3.4	75.0
Luxembourg	(LFr)	49.7106	-0.0917	681 - 530	49.7590	49.5220	49.7258	-0.4	49.6706	0.3	49.3656	0.7	116.9
Netherlands	(Fl)	2.7051	-0.0091	037 - 066	2.7118	2.6969	2.7043	0.4	2.7011	0.6	2.6686	1.4	121.0
Norway	(NKr)	10.5967	-0.023	928 - 006	10.6171	10.5974	10.5965	0.0	10.5968	-0.1	10.601	0.0	96.1
Portugal	(Es)	246.357	-0.165	066 - 647	248.682	245.457	248.067	-3.4	251.267	-3.0	-	-	-
Spain	(Pta)	200.450	-0.101	366 - 534	200.788	199.969	200.855	-2.4	201.595	-2.3	204.42	-2.0	85.9
Sweden	(SKr)	11.7789	+0.0451	704 - 874	11.8173	11.6855	11.7979	-1.9	11.8454	-2.3	12.0589	-2.4	74.6
Switzerland	(SFr)	2.0008	-0.0183	996 - 020	2.0119	1.9995	1.9982	1.6	1.9925	1.7	1.957	2.2	123.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.2
Ecu	-	1.2680	-0.0002	672 - 688	1.2692	1.2627	1.2683	-0.3	1.2687	-0.2	1.2498	1.4	-
SDR†	-	0.984351	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5680	+0.0079	675 - 684	1.5692	1.5694	-	-	-	-	-	-	-
Brazil	(R)	1.3397	+0.0017	378 - 415	1.3422	1.3398	-	-	-	-	-	-	-
Canada	(C$)	2.1198	+0.0086	189 - 207	2.1215	2.1096	2.1193	0.3	2.1187	0.2	2.1175	0.1	87.6
Mexico	(New Peso)	5.3646	+0.0252	495 - 597	5.3600	5.3398	-	-	-	-	-	-	-
USA	($)	1.5687	+0.0074	683 - 690	1.5690	1.5630	1.568	0.5	1.5661	0.7	1.5527	1.0	62.1
Pacific/Middle East/Africa													
Australia	(A$)	2.1191	+0.0222	179 - 203	2.1228	2.1024	2.1191	0.0	2.1204	-0.2	2.1365	-0.8	-
Hong Kong	(HK$)	12.1210	+0.0571	179 - 241	12.1253	12.0784	12.1171	0.4	12.116	0.2	12.123	0.0	-
India	(Rs)	49.2088	+0.2321	987 - 235	49.2340	49.0350	-	-	-	-	-	-	-
Japan	(Y)	155.101	+0.487	027 - 174	155.300	153.950	154.731	2.9	153.831	3.3	148.836	4.0	186.8
Malaysia	(M$)	4.0048	+0.0177	031 - 064	4.0071	3.9891	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6047	+0.0147	030 - 063	2.6070	2.5927	2.6086	-1.8	2.6164	-1.8	2.6367	-1.3	-
Philippines	(Peso)	40.7065	-0.2784	621 - 509	40.9646	40.4410	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8830	+0.0276	813 - 847	5.8852	5.8622	-	-	-	-	-	-	-
Singapore	(S$)	2.3347	+0.0123	338 - 356	2.3363	2.3261	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5695	+0.0188	667 - 723	5.5735	5.5486	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9905	-0.0217	833 - 977	7.0023	6.9623	-	-	-	-	-	-	-
South Korea	(Won)	1254.92	+5.88	433 - 551	1255.69	1250.71	-	-	-	-	-	-	-
Taiwan	(T$)	41.0947	+0.1778	816 - 078	41.1078	40.9506	-	-	-	-	-	-	-
Thailand	(Bt)	39.1378	+0.1533	134 - 622	39.1780	39.0420	-	-	-	-	-	-	-

†SDR rates for Sep 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.8485	-0.0585	460 - 510	10.8700	10.8145	10.8485	0.0	10.8488	0.0	10.7786	0.7	104.3
Belgium	(BFr)	31.6900	-0.209	700 - 100	31.7950	31.6300	31.6975	-0.3	31.715	-0.3	31.805	-0.4	108.0
Denmark	(DKr)	6.0751	-0.0429	741 - 761	6.1018	6.0720	6.0818	-1.3	6.1016	-1.7	6.1788	-1.7	104.8
Finland	(FM)	4.9552	-0.0311	502 - 601	4.9740	4.9385	4.9552	0.0	4.9622	-0.6	5.0102	-1.1	79.2
France	(FFr)	5.2607	-0.036	592 - 622	5.2898	5.2585	5.2632	-0.6	5.2685	-0.6	5.2362	0.5	106.5
Germany	(D)	1.5374	-0.0110	370 - 377	1.5455	1.5360	1.5375	-0.1	1.5376	0.0	1.5310	0.4	107.0
Greece	(Dr)	234.350	-1.65	200 - 500	235.000	234.150	234.65	-1.5	235.275	-1.6	238.025	-1.6	69.1
Ireland	(I£)	1.5486	+0.0106	478 - 498	1.5508	1.5398	1.548	0.5	1.545	0.9	1.5268	1.4	-
Italy	(L)	1564.63	-4.57	435 - 490	1569.00	1561.00	1569.28	-3.6	1579.13	-3.7	1634.13	-4.4	75.8
Luxembourg	(LFr)	31.6900	-0.209	700 - 100	31.7950	31.6300	31.695	-0.2	31.715	-0.3	31.805	-0.4	108.0
Netherlands	(Fl)	1.7245	-0.014	240 - 250	1.7320	1.7238	1.7247	-0.2	1.7247	-0.1	1.7188	0.3	105.7
Norway	(NKr)	6.7553	-0.0467	543 - 563	6.7835	6.7276	6.7603	-0.9	6.7803	-1.5	6.8528	-1.4	98.1
Portugal	(Es)	157.050	-0.85	900 - 200	157.500	156.750	157.8	-5.7	161.475	-11.3	166.05	-5.7	95.4
Spain	(Pta)	127.785	-0.67	760 - 810	128.250	127.670	128.1	-3.0	128.72	-2.9	131.665	-3.0	80.9
Sweden	(SKr)	7.5080	-0.0067	052 - 127	7.5380	7.4596	7.5258	-2.6	7.584	-2.9	7.7586	-3.3	80.2
Switzerland	(SFr)	1.2768	-0.0185	750 - 780	1.2850	1.2750	1.2744	1.6	1.2723	1.6	1.2606	1.2	107.9
UK	(£)	1.5687	+0.0074	683 - 690	1.5690	1.5630	1.568	0.5	1.5661	0.7	1.5527	1.0	87.5
Ecu	-	1.2371	+0.0059	366 - 376	1.2395	1.2340	1.2362	0.9	1.2344	0.9	1.207	2.4	-
SDR†	-	1.46553	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0003	995 - 998	0.9998	0.9992	-	-	-	-	-	-	-
Brazil	(R)	0.8540	-0.008	530 - 550	0.8550	0.8530	-	-	-	-	-	-	-
Canada	(C$)	1.3514	-0.002	511 - 515	1.3538	1.3478	1.3519	-0.4	1.3532	-0.5	1.3634	-0.9	84.1
Mexico	(New Peso)	3.4135	-	110 - 160	3.4160	3.4110	3.4145	-0.4	3.4163	-0.3	3.4237	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3510	+0.0079	504 - 516	1.3516	1.3430	1.3512	-0.2	1.3519	-0.3	1.3593	-0.6	87.3
Hong Kong	(HK$)	7.7271	-	268 - 273	7.7273	7.7268	7.7268	0.0	7.7277	0.0	7.7428	-0.2	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	98.8750	-0.17	500 - 000	99.2200	98.4000	98.695	2.3	98.225	2.6	95.85	3.1	149.8
Malaysia	(M$)	2.5530	-0.0008	525 - 535	2.5535	2.5510	2.5438	4.3	2.5325	3.2	2.606	-2.1	-
New Zealand	(NZ$)	1.6605	+0.0015	598 - 611	1.6611	1.6570	1.6615	-0.7	1.6633	-0.7	1.6686	-0.5	-
Philippines	(Peso)	25.9500	-0.3	000 - 000	26.4500	25.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	501 - 508	3.7506	3.7501	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.4884	+0.0008	881 - 886	1.4887	1.4855	1.487	1.1	1.4861	0.9	1.4784	0.7	-
S Africa (Com.)	(R)	3.5506	-0.0048	495 - 515	3.5595	3.5465	3.566	-5.2	3.5943	-4.9	3.671	-3.4	-
S Africa (Fin.)	(R)	4.4500	-0.085	400 - 600	4.4700	4.4400	4.4837	-9.1	4.5425	-8.3	-	-	-
South Korea	(Won)	800.000	-0.15	800 - 200	800.200	799.600	803	-4.5	806.5	-3.3	825	-3.1	-
Taiwan	(T$)	26.1975	-0.0103	950 - 000	26.2105	26.1900	26.2175	-0.9	26.2575	-0.9	-	-	-
Thailand	(Bt)	24.9500	-0.02	400 - 600	24.9800	24.9400	25.0225	-3.5	25.16	-3.2	25.63	-2.7	-

†SDR rate for Sep 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 13 Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.17	16.60	4.850	2.036	4937	5.442	21.30	495.5	403.1	23.68	4.023	2.012	4.263	3.156	312.0	2.551
Denmark	(DKr)	52.17	10	8.660	2.530	1.063	2576	2.838	11.11	258.5	210.3	12.35	2.099	1.049	2.224	1.647	162.8	1.331
France	(FFr)	60.24	11.55	10	2.922	1.228	2974	3.278	12.83	298.5	242.9	14.26	2.424	1.212	2.568	1.901	188.0	1.537
Germany	(DM)	20.62	3.952	3.423	1	0.420	1018	1.122	4.392	102.2	83.12	4.882	0.830	0.415	0.879	0.651	64.33	0.526
Ireland	(I£)	49.07	9.407	8.146	2.380	1	2423	2.670	10.45	243.1	197.8	11.62	1.974	0.987	2.092	1.549	153.1	1.252
Italy	(L)	2.026	0.388	0.336	0.098	0.041	100.	0.110	0.432	10.04	8.166	0.480	0.081	0.041	0.086	0.064	6.320	0.052
Netherlands	(Fl)	18.38	3.523	3.051	0.891	0.374	907.2	1	3.915	91.05	74.09	4.351	0.739	0.370	0.783	0.580	57.34	0.469
Norway	(NKr)	46.94	8.998	7.792	2.277	0.957	2317	2.554	10	232.6	189.2	11.11	1.889	0.944	2.001	1.482	146.5	1.197
Portugal	(Es)	20.15	3.869	3.350	0.979	0.411	996.3	1.098	4.300	100.	81.36	4.779	0.812	0.406	0.860	0.637	62.97	0.515
Spain	(Pta)	24.81	4.755	4.118	1.203	0.505	1225	1.350	5.284	122.9	100.	5.873	0.998	0.499	1.057	0.783	77.40	0.633
Sweden	(SKr)	42.23	8.096	7.011	2.048	0.861	2085	2.298	8.997	209.3	170.3	10	1.699	0.850	1.800	1.333	131.8	1.077
Switzerland	(SFr)	24.86	4.765	4.126	1.206	0.507	1227	1.353	5.295	123.2	100.2	5.885	1	0.500	1.060	0.785	77.56	0.634
UK	(£)	49.71	9.528	8.252	2.411	1.013	2454	2.705	10.58	246.3	200.4	11.77	2.000	1	2.119	1.569	155.1	1.268
Canada	(C$)	23.46	4.497	3.894	1.138	0.478	1158	1.277	4.998	116.2	94.57	5.555	0.944	0.472	1	0.740	73.19	0.598
US	($)	31.68	6.073	5.259	1.537	0.646	1564	1.724	6.750	157.6	127.7	7.502	1.275	0.637	1.351	1	98.85	0.808
Japan	(Y)	32.05	6.144	5.320	1.554	0.653	1582	1.744	6.828	158.8	129.2	7.589	1.289	0.645	1.366	1.012	100.	0.816
Ecu		39.20	7.515	6.506	1.901	0.799	1935	2.133	8.352	194.2	158.0	9.282	1.577	0.789	1.671	1.237	122.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6495	0.6493	+0.0006	0.6507	0.6484	8,198	71,531
Dec	0.6482	0.6494	+0.0006	0.6508	0.6481	46,769	56,359
Mar	0.6504	0.6500	+0.0006	0.6510	0.6500	669	3,714

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7785	0.7797	+0.0010	0.7820	0.7785	7,294	25,959
Dec	0.7801	0.7821	+0.0013	0.7838	0.7801	29,302	27,937
Mar	0.7865	0.7840	+0.0007	0.7865	0.7840	35	263

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0132	1.0139	+0.0003	1.0157	1.0122	6,752	38,074
Dec	1.0188	1.0206	+0.0003	1.0230	1.0185	19,178	29,377
Mar	1.0261	1.0290	+0.0012	1.0290	1.0261	62	2,061

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5650	1.5680	+0.0010	1.5690	1.5650	3,805	25,755
Dec	1.5626	1.5634	+0.0020	1.5668	1.5620	12,633	24,635
Mar	1.5602	1.5602	+0.0016	1.5602	1.5602	17	183

EMS EUROPEAN CURRENCY UNIT RATES

Sep 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14619	-0.00082	-2.30	5.56	-
Belgium	40.2123	39.3661	-0.0166	-2.05	5.28	15
Germany	1.94964	1.91336	-0.00116	-1.86	5.06	-
Ireland	0.808628	0.804802	+0.000669	-0.47	3.61	5
France	6.53883	6.54888	-0.00404	0.15	2.97	-1
Portugal	192.854	195.116	+0.075	1.17	1.93	-8
Denmark	7.43679	7.56065	+0.00117	1.67	1.43	-31
Spain	154.250	159.069	+0.06	3.12	0.00	-22
NON ERM MEMBERS						
Greece	264.513	291.278	-0.193	10.12	-6.35	-
Italy	1793.19	1942.86	-1.04	8.35	-4.82	-
UK	0.786749	0.794280	+0.002966	0.95	2.15	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.450	-	-	-	-	-	-
1.475	8.98	8.85	8.54	-	-	0.06
1.500	6.49	6.47	6.58	-	0.02	0.24
1.525	3.99	4.20	4.62	-	0.24	0.66
1.550	1.57	2.33	2.81	0.01	0.81	1.43
1.575	0.08	1.02	1.59	0.98	1.59	2.59

Previous day's vol., Calls 19,464 Puts 15,583 . Prev. day's open int., Calls 588,252 Puts 508,733

WORLD INTEREST RATES

MONEY RATES

September 14	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4¾	6⅛	6⅛	5¾	6¼	7.40	4.50	-
week ago	4¾	5¼	5¾	5⅞	6½	7.40	4.50	-
France	6¼	6¼	5¾	5⅞	6¼	5.00	-	0.75
week ago	8⅛	6¼	5¾	5⅞	6¼	5.00	-	0.75
Germany	4.97	4.95	4.95	0.10	0.45	6.00	4.50	4.85
week ago	4.90	4.95	4.95	5.02	5.33	6.00	4.50	4.85
Ireland	4¼	6½	6¼	6¼	7¾	-	-	6.25
week ago	4¾	6½	6¼	6¼	7¾	-	-	6.25
Italy	6½	8⅛	8⅞	0½	10¾	-	7.50	8.45
week ago	6½	8¼	8⅞	9⅛	10¾	-	7.50	8.45
Netherlands	4.84	0.01	5.07	5.22	5.59	-	5.25	-
week ago	4.84	5.01	5.03	0.17	5.51	-	5.25	-
Switzerland	3¾	3⅞	4⅛	4¾	4¾	6.625	3.50	-
week ago	5¾	3⅞	4¼	4¼	4⅞	6.625	3.50	-
US	4¾	4¾	5	5⅛	5¾	-	4.00	-
week ago	4⅞	4¾	4⅞	5¼	5¾	-	4.00	-
Japan	2¼	2¼	2¼	2¼	2⅞	-	1.75	-
week ago	2½	2½	2¼	2¼	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅞	6¼	5¼	6	-	-	-
week ago	-	4⅞	5	5¼	5⅞	-	-	-
US Dollar CDs	-	4.65	4.84	0.14	5.71	-	-	-
week ago	-	4.68	4.80	5.07	5.56	-	-	-
SDR Linked Ds	-	3¾	3⅞	3¾	4	-	-	-
week ago	-	3¾	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 5⅞; 6 mths: 6¼; 1 year: 6⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 - 4⅞	5⅛ - 5	5½ - 5⅜	5⅞ - 5¾	6 7/16 - 6 5/16
Danish Krone	5⅝ - 5⅜	5¾ - 5⅝	6⅜ - 5¾	6⅝ - 6⅜	7 5/16 - 7 3/16	7 13/16 - 7 11/16
D-Mark	4⅞ - 4¾	5 - 4⅞	5 - 4⅞	5 1/16 - 4 15/16	5 7/16 - 5 5/16	6 3/16 - 5 7/16
Dutch Guilder	5 - 4⅞	5 - 4⅞	5 - 4⅞	5⅛ - 5	5⅜ - 5¼	5⅞ - 5⅝
French Franc	5⅝ - 5½	5 11/16 - 5 9/16	5⅞ - 5¾	5 13/16 - 5 11/16	6 5/16 - 6 3/16	6⅞ - 6¾
Portuguese Esc.	12⅜ - 11⅞	9⅝ - 9½	10¾ - 10⅝	11⅛ - 10¾	11¼ - 10⅞	11⅛ - 10⅞
Spanish Peseta	7 7/16 - 7¼	7½ - 7 5/16	7 13/16 - 7 5/16	8 - 7⅞	8⅜ - 8¼	9 1/16 - 8 15/16
Sterling	5 5/16 - 4 15/16	5 3/16 - 5	5 7/16 - 5⅜	5 13/16 - 5 11/16	6¼ - 6⅛	7 3/16 - 7 1/16
Swiss Franc	3½ - 3⅜	3 5/16 - 3 3/16	3⅞ - 3⅜	4 - 3⅞	4 3/16 - 4 1/16	4⅝ - 4½
Can. Dollar	5⅛ - 4⅞	5 3/16 - 5	5¼ - 5⅛	5½ - 5⅜	6 - 5⅞	6⅝ - 6½
US Dollar	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5⅛ - 4 15/16	5 7/16 - 5 5/16	6 - 5⅞
Italian Lira	9 - 7½	8¼ - 8	8⅝ - 8½	8 15/16 - 8 13/16	9 7/16 - 9 5/16	10⅜ - 10½
Yen	2 3/16 - 2⅛	2¼ - 2 3/16	2⅜ - 2¼	2⅜ - 2¼	2 13/16 - 2 11/16	2⅝ - 2 13/16
Asian $Sing	3⅞ - 3½	3⅞ - 3¾	4 7/16 - 4 5/16	4¾ - 4⅝	5 5/16 - 5 3/16	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.37	94.37	-0.01	94.38	94.37	5,406	40,371
Dec	93.90	93.91	-0.02	93.94	93.89	15,572	47,974
Mar	93.48	93.45	-0.03	93.48	93.42	7,570	28,675
Jun	93.10	93.09	-0.03	93.13	93.07	3,761	27,834

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.95	94.94	+0.01	94.96	94.94	392	2058
Dec	94.26	94.26	-0.01	94.26	94.26	40	2128
Mar		93.80	-0.01			0	1364
Jun		93.54	-0.01			0	283

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.97	94.93	-0.06	94.98	94.93	19234	126234
Dec	94.82	94.70	-0.11	94.82	94.68	60362	181608
Mar	94.43	94.28	-0.14	94.43	94.26	60185	157399
Jun	94.06	93.91	-0.16	94.06	93.90	24258	105060

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.20	91.19	+0.01	91.22	91.18	1302	18262
Dec	89.90	89.92	-	90.00	89.90	6101	32259
Mar	89.21	89.23	+0.01	89.29	89.20	3894	19632
Jun	88.82	88.82	-	88.88	88.79	730	14745

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.93	95.93	-	95.93	95.91	1059	13992
Dec	95.52	95.54	-0.02	95.55	95.51	3709	20525
Mar	95.15	95.17	-0.01	95.18	95.14	759	12710
Jun	94.83	94.84	-0.01	94.86	94.83	467	8175

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.08	94.05	-0.03	94.05	94.04	428	7982
Dec	93.47	93.44	-0.04	93.47	93.41	1107	6663
Mar	92.90	92.90	-0.05	92.91	92.86	404	4666
Jun	92.53	92.49	-0.05	92.53	92.48	225	1983

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.94	94.93	-	94.94	94.93	59,877	328,415
Dec	94.26	94.26	+0.01	94.27	94.24	155,238	503,164
Mar	93.90	93.89	-	93.90	93.87	151,024	384,568

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.40	95.41	+0.02	95.42	95.40	2,306	5,350
Dec	94.83	94.84	+0.02	94.84	94.82	888	11,182
Mar	94.41	94.41	+0.01	94.42	94.41	556	5,311

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9475	0.18	0.06	0.06	0.11	0	0.11	0.13	0.16
9500	0.01	0.01	0.02	0.03	0.06	0.31	0.32	0.33
9525	0	0	0	0.01	0.32	0.55	0.55	0.56

Est. vol. total, Calls 12018 Puts 14088. Previous day's open int., Calls 235604 Puts 203951

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9575	0.18	0.04	0.05	0	0.25	0.66
9600	0.01	0.01	0.06	0.06	0.47	0.89
9625	0	0	0.02	0.32	0.71	1.10

Est. vol. total, Calls 8 Puts 0. Previous day's open int., Calls 3288 Puts 1758

UK INTEREST RATES

LONDON MONEY RATES

Sep 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 4¼	5⅛ - 5	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6¼ - 6⅛	7 3/16 - 7⅛
Sterling CDs	-	-	5⅜ - 5 5/16	5 13/16 - 5¾	6⅛ - 6	7 1/16 - 6 15/16
Treasury Bills	-	-	5⅜ - 5¼	5⅝ - 5 9/16	-	-
Bank Bills	-	-	5⅜ - 5¼	5⅝ - 5 9/16	6 - 5⅞	-
Local authority deps.	5 5/16 - 4 15/16	5 5/16 - 4 15/16	4 15/16 - 4 13/16	5⅝ - 5½	5 13/16 - 5 11/16	6 13/16 - 6 11/16
Discount Market deps	6¼ - 4¾	5 - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.0840pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Scheme II & III 6.82pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Scheme IV & V 5.676pc. Finance House Base Rate 6½pc from Sep 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.16	94.18	-0.01	94.18	94.12	17128	80893
Dec	93.36	93.23	-0.14	93.37	93.21	48621	142659
Mar	92.58	92.43	-0.15	92.58	92.40	22869	79334
Jun	92.06	91.89	-0.17	92.07	91.88	6095	58915

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9400	0.14	0.02	0.01	0.01	0.79	1.88
9425	0.01	0.01	0	0.13	1.03	1.82
9450	0	0	0	0.37	1.27	2.07

Est. vol. total, Calls 21744 Puts 10465. Previous day's open int., Calls 360746 Puts 316057

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	0.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	0.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75	* In administration	
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	5		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

US$ 500,000,000

FLOATING RATE SUBORDINATED LOAN - PARTICIPATION CERTIFICATES DUE 2000

ISSUED BY J P MORGAN GMBH FOR THE PURPOSE OF FUNDING AND MAINTAINING A SUBORDINATED LOAN TO THE DAI-ICHI KANGYO BANK LIMITED

Notice is hereby given that the rate of interest applicable to payments under the certificates corresponding to payments of interest under the loan is, for the Interest Period from 14th September, 1994 to 14th December 1994, 5.3125% per annum, with a Coupon Amount of US$3,357.20 per US$ 250,000 Certificate, payable on 14th December 1994.

Dai-Ichi Kangyo Bank (Luxembourg) S.A.
Agent Bank

Heart II Limited
US $ 174,000,000
Secured Floating Rate Notes due 2000

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 14th September, 1994 to 14th December, 1994 the Notes will bear a rate of interest of 5.3125% per annum.
The interest amount payable on 14th December, 1994 will be US$ 2,336,614.58.

Dai-Ichi Kangyo Bank (Luxembourg) S.A.
Agent Bank

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 14 / Sch)

		+/-	High	Low	Yld	P/E
AusAir	2,090	-5	2,200	1,750	2.4	—
BkAust	970	..	1,270	970	0.6	..
CredPt	640	-6	834	638	1.6	...
EA Gen	3,140	-5	4,750	3,140	0.6	...
EVN	1,468	..	1,715	1,190	1.3	—
Lenzng	1,270	+7	1,387	1,050	0.4	..
Mayr-M	633	+3	744	558	...	—
OeMV	1,041	-2	1,067	845	1.4	...
PerLim	935	.	1,050	808	2.1	..
RadexH	460	-3	498	403	2.2	...
SteyrD	274	+2	258	171	2.7	...
VA Tec	1,152	+1	1,160	974	...	...
VoitMg	355	-5	400	328	1.7	..
VoeBrA	110	-5	701	540	2.3	—
VnlAir	455	-9	208	430	1.8	...
Wienbg	3,820	+6	4,340	3,411	1.0	...

BELGIUM/LUXEMBOURG (Sep 14 / Frs)

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, September 14, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyota Motor	12.0m	2,020	-80	M'bishi Heavy	3.9m	753	-16
Nippon Steel	6.80m	377		S'tomo Bank	2.9m	1,870	+10
Tsumura & Co	6.2m	1,050	-120	Nissan Motor	2.7m	785	-8
Chiba Bank	5.2m	872	-9	NKK Corp	2.7m	279	
Kawasaki Steel	4.3m	428		Magara Const	2.4m	905	-65

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1971.0	1958.0	-22.0	1977.0	1957.0	33,338	39,302
Oct	1979.0	1967.0	-22.0	1981.0	1967.0	-	3,555
Dec	1998.0	2014.5	-21.0	2005.0	1986.0	2,572	13,533

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Hanson	16,021,800	18¼	-⅛
RJR Nabisco	7,821,100	6⅝	-⅛
Wal-Mart	5,458,000	26	+⅛
Borden	5,048,500	13⅝	-
Ford Motor	4,705,100	28¾	-⅛
Dresser	3,641,900	20½	-⅛
EMC	3,123,400	18½	+1⅛
Telefonos	3,067,000	62¼	+½
ISM	2,901,100	69¼	+1⅛
Wstn Co NA	2,676,900	16¼	-4⅛

■ TRADING ACTIVITY

● Volume (million)

	Sep 13	Sep 12	Sep 9
New York SE	293.282	244.659	285.624
Amex	17.290	13.376	14.750
NASDAQ	(a)	302.100	252.151
NYSE			
Issues Traded	2,861	2,889	2,844
Rises	1,111	761	570
Falls	985	1,385	1,662
Unchanged	765	743	612
New Highs	43	32	40
New Lows	69	75	71

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

4 pm close September 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 3/8	12 3/4	AAR	0.48	3.0	22	71	13 1/2	13 3/8	13 1/2	
16 7/8	12 5/8	A L Labs A	0.16	1.1	39	351	15 3/4	15 1/2	15 3/4	+1/4
75 1/4	57 5/8	AMP	1.68	2.3	25	2134	73	71 7/8	73	+1/8
72 3/4	52 1/8	AMR			99	2582	58 1/8	55 1/2	55 7/8	-1/4
5	3 3/8	ARX			13	3	3 7/8	3 3/4	3 7/8	
58 1/2	35 5/8	ASA	2.00	4.0	33	688	50 1/4	49 5/8	49 7/8	-1
31 1/8	25 3/4	AbbtL	0.76	2.5	17	4132	30 3/8	30	30 1/4	+1/4
14 1/2	11 3/8	Abitibi Pr	0.80	5.6	16	279	14 1/4	14 1/8	14 1/4	+1/4
23 3/8	17 3/4	ABM Ind	0.52	2.3		25	20 3/8	22 1/4	20 7/8	+1/8
15 1/8	11 1/8	Acptncein			28	78	14 1/4	14 1/2	14 1/2	-1/4
31	22 1/8	ACE Ltd	0.44	1.8	31	165	25 1/4	24 3/8	25	+3/8
12 1/2	9 5/8	ACM Gvt In	1.00	11.2		474	8 7/8	9 3/4	9 3/4	-1/8
10 1/8	7 1/8	ACM GvOpp	0.80	11.2		184	7 1/4	d7 1/8	7 1/8	
10 5/8	7 1/2	ACM Gvt Sp	0.95	12.8		66	7 3/8	d7 1/2	7 3/8	+1/8
12	8 5/8	ACM Gvt Se	1.00	12.5		693	8 1/4	d8 5/8	8 1/4	+1/8
11 1/4	8 1/8	ACM Man	1.20	12.2		151	8	8 7/8	8 7/8	
8 1/8	6	ACM Managd	0.72	0.9		68	9 1/4	8 1/8	8 1/8	
15 1/2	8 3/4	AcmeCir	0.44	3.4	15	470	13	12 1/2	12 7/8	+1/4
9 7/8	6 1/2	Acme Elect			7	16	8 3/8	8 1/4	8 1/4	-1/8
20 3/4	23	Acordia	0.20	2.2	13	4	27 3/8	27 1/4	27 1/4	-1/4
13 1/4	5 3/4	Actava	0.60	3.4	2	314	11	10 5/8	10 5/8	-1/8
15 7/8	11 3/4	Acuson			117	883	15 1/8	15	15 1/4	+1/8
18 1/8	16 1/2	Adams Expr	0.40	2.7	8	77	17 5/8	17 1/2	17 1/2	-1/4
64	46 1/2	Ad Micro	3.20	5.0		242	58 1/4	58 1/2	58 1/2	+1 1/2
31 1/4	16 3/4	AdvMic	3.00	10.4	12	5348	29 1/8	28 5/8	28 7/8	+1/8

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Continued on next page

4 pm close September 14

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close September 14

[illegible]

AMEX COMPOSITE PRICES

4 pm close September 14

[illegible]

FINANCIAL TIMES Thursday September 15 1994

AMERICA

Perplexing economic data ignored by Dow

Wall Street

US share prices tracked bonds yesterday morning, showing almost no reaction to troublesoma economic data, *writes Frank McGurty in New York.*

By 12.30pm, the Dow Jones Industrial Average was up 5.38 at 3,885.24, while the more broadly based Standard & Poor's 500 was 0.24 ahead at 467.76. In the secondary markets, the American SE composite inched 0.17 forward to 456.98 and the Nasdaq composite firmed 0.41 to 766.24.

Volume on the Big Board was surprisingly light, with only 137m shares traded by early afternoon.

The thin activity suggested that investors were perplexed about the current course of the economy. The day's economic news may have served to compound that uncertainty.

The Commerce Department announced a 0.8 per cent increase in August retail sales, a weaker figure than the 1.0 per cent gain which had been forecast. But in spite of the recent anxiety over inflation, the market could gain little comfort from the report. Retail sales, excluding cars, came in at 0.7 per cent, against expectations of a 0.4 per cent gain. That figure indicated that sales as a whole were stronger than suggested by the headline figure.

Stocks held steady on the release of the data, with the bond market offering no guidance whatsoever. With Treasuries showing no change on tha day, share prices meandered within a narrow range throughout the morning.

The release of the Federal Reserve's Beige Book report on economic conditions at midday also elicited a muted reaction. In a finding that could trip up the markets as the afternoon progressed, the Fed said labour markets were "steady or tightening", suggesting the likelihood of upward pressure on wages.

Caught in the doldrums, the Dow industrials were drifting aimlessly. American Express managed to add $¾ at $81¼, buoyed no doubt by its recent moves in the travel and credit card businesses. Caterpillar appreciated $⅝ to $54 and IBM $¼ to $69⅞.

Heightened speculation on the future of the NBC broadcasting network had only a marginal influence on the share prices of the companies involved.

Walt Disney, which was reported to be in talks on acquiring NBC from General Electric, slipped $¾ to $41⅝. GE climbed $⅞ to $50⅝. Time Warner, also said to be discussing a possible deal, edged down $¼ to $36¼.

CBS, a second media concern thought to be ripe for takeover, rose $5 to $342¾ as bargain huntsrs moved in after an $11⅞ drop in the previous session. Tuesday's satback reflected a downgrading by Donaldson Lufkin & Jenrette.

Following Kohlberg Kravis Roberts's $2bn bid for Borden, Quaker Oats inspired buying from those who consider the food group as a likely target. The stock gained $2¾ at $81⅞.

In a mostly quiet technology sector, CompUSA forged ahead $1¼ to $10⅞ and Compaq moved forward $⅝ to $36¼.

Canada

Toronto sought fresh impetus in the aftermath of the Quebec election as the market also awaited a speech later in the day in which Quebec's president elect Jacques Parizeau was expected to lay out his sovereignty plans. By late morning, the TSE-300 index was 9.02 lower at 4,335.20.

Brazil

São Paulo rose 1.3 per cent in moderate early trade as investors welcomed a court ruling that cancelled a 1990 Telebras share subscription.

The Bovespa index of the 55 most active shares was up 716 at 55,826 just before midday. Overall turnover was R$231.8m ($271.1m).

Analysts remarked that prices rallied because the amount of Telebras shares in the market was likely to be reduced.

They added that unless the company appealed, Telebras would be required to return the funds to shareholders and that the refunded money would have to be adjusted for losses due to inflation.

The Telabras subscription was worth about $160m in 1990, which at current market values would translate to about $600m. Telebras preferred, which resumed trading after a half-hour suspension shortly after the opening, was quoted 0.4 per cent up at R$53.

A bourse official said trading of the 1990 share subscription, which until now had been in tha form of stock receipts, remained interrupted.

Gold and mining stocks retain gains

Gold and mining-related shares held on to gains on buying ahead of today's futures expiry, but some late selling took them off the session's highs.

The gold price held above $390 an ounce and expectations continued that a push to $400 lay ahead after short-term consolidation.

In comments before the parliamentary finance committee, Reserve Bank governor Mr Chris Stals again warned of a possible rise in interest rates and said that the country could not support an instant abandonment of foreign exchange controls.

The overall index put on 15 at 5,873, industrials firmed 1 to 6,545 and the gold shares index advanced 36 to 2,453.

De Beers moved up 65 cents to R110.15, while in golds Vaal Reefs was R5 higher at R475.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: September 9 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: September 9 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(209)	757.00	+1.1	+16.4			
Argentina	(25)	962.55	-1.2	-3.2	590,647.90	-1.2	-3.2
Brazil	(57)	421.63	+1.4	+81.2	1,375,735,948	-0.2	+1,253.8
Chile	(25)	720.14	+0.4	+30.5	1,200.33	+0.1	+25.9
Colombia[1]	(11)	901.68	-4.4	+39.9	1,307.94	-4.0	+41.1
Mexico	(66)	976.23	+2.0	-3.0	1,436.78	+3.1	+6.5
Peru[2]	(11)	152.23	-0.2	+25.9	208.44	+0.3	+31.7
Venezuela[3]	(12)	564.04	+1.3	-4.7	2,204.30	+1.3	+55.1
Asia	(557)	285.88	+1.7	-1.8			
China[4]	(18)	111.02	+4.4	-25.6	119.86	+4.2	-26.9
South Korea[5]	(156)	138.92	+5.4	+17.6	146.30	+5.5	+16.6
Philippines	(18)	303.68	-3.8	-10.8	381.43	-4.4	-14.1
Taiwan, China[6]	(90)	159.66	+0.4	+18.1	156.98	+0.2	+17.3
India[7]	(76)	143.29	+0.3	+23.0	158.46	+0.3	+23.0
Indonesia[8]	(37)	118.17	+4.0	-6.8	137.41	+4.4	-3.5
Malaysia	(105)	323.07	+2.7	-4.7	304.06	+2.7	-6.8
Pakistan[9]	(15)	390.49	+0.1	+0.7	542.28	+0.3	+2.7
Sri Lanka[10]	(5)	204.12	+8.5	+15.2	219.47	+8.9	+14.9
Thailand	(55)	438.05	-1.4	-8.3	434.49	-1.7	-10.1
Euro/Mid East	(125)	117.98	-3.3	-30.3			
Greece	(25)	222.27	-0.1	-2.4	352.38	-1.1	-8.3
Hungary[11]	(5)	189.71	-0.4	+13.8	248.00	-1.0	+22.8
Jordan	(13)	155.77	-0.4	-5.9	223.35	-0.8	-6.7
Poland[12]	(12)	635.43	-4.2	-22.3	922.73	-4.7	-16.4
Portugal	(25)	129.39	+0.9	+13.7	138.72	-0.2	+1.1
Turkey[13]	(40)	112.08	-7.3	-47.3	1,778.78	-7.3	+22.3
Zimbabwe[14]	(5)	266.10	+0.4	+31.7	319.42	+0.5	+49.5
Composite	(891)	370.24	+1.1	+4.1			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1989; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1992; (14)July 2 1993.

Goldman Sachs has this week increased its asset allocation in the emerging markets of Thailand, Singapore, Hong Kong and Mexico, at the expense of exposure to Europe and Japan. The US investment bank noted that emerging markets would benefit most from US investment flows resulting from the slowdown in the US economy "as the degree of risk aversion falls in rising equity markets; more importantly, the emerging markets retain a significant advantage in that they are trading at p/e to growth ratios that are well below those prevailing in the G5 countries".

As far as Mexico is concerned, Baring Securities, in its latest monthly strategy update on the country, reports that the stock market has not fully discounted the new political environment for the short and medium term, and at a 1995 price/earnings ratio of 13.8 Mexico is rated last among the six top Latin American markets. Baring forecasts, in its most likely scenario, index targets of 3,180 for end-1994 and 4,177 for end-1995.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY SEPTEMBER 13 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY SEPTEMBER 12 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	173.34	0.7	164.60	108.52	139.62	154.83	0.6	3.56	172.20	163.39	107.75	138.19	153.88	189.15	139.24	142.03
Austria (17)	193.86	-1.1	184.08	121.37	156.14	156.10	-0.8	1.02	196.11	186.08	122.71	157.37	157.34	198.89	164.64	176.58
Belgium (37)	172.86	-1.0	164.14	108.22	139.22	136.67	-0.6	4.07	174.54	165.61	109.21	140.06	136.73	177.04	143.62	153.12
Canada (104)	137.15	1.3	130.23	85.86	110.47	134.41	0.4	2.50	135.41	128.48	84.72	108.66	133.87	145.31	120.54	123.57
Denmark (33)	252.47	-0.1	239.74	158.06	203.35	210.08	0.3	1.41	252.85	239.92	158.21	202.90	209.53	275.79	223.94	230.53
Finland (24)	179.23	-0.7	170.20	112.21	144.36	187.56	-0.3	0.75	180.56	171.32	112.97	144.89	188.12	181.79	104.28	110.83
France (97)	173.02	-0.2	164.30	108.33	139.36	143.81	0.0	3.06	173.43	164.56	108.51	139.16	143.79	185.37	159.34	170.23
Germany (58)	146.32	-1.2	138.95	91.61	117.86	117.86	-0.6	1.75	148.13	140.56	92.69	118.87	118.87	150.40	124.39	126.41
Hong Kong (56)	407.64	0.5	387.29	255.34	328.51	404.60	0.5	3.03	405.72	384.97	253.86	325.56	402.48	506.56	292.08	296.66
Ireland (14)	211.96	-0.1	201.27	132.79	170.72	194.18	0.0	3.27	212.13	201.28	132.73	170.23	194.25	216.60	161.54	172.61
Italy (59)	79.50	0.5	75.49	49.77	64.03	93.18	0.5	1.87	79.07	75.02	49.47	63.45	92.71	97.78	67.88	76.97
Japan (469)	160.74	0.5	152.64	100.64	129.47	100.64	0.5	0.76	159.98	151.80	100.10	128.38	100.10	170.10	124.54	158.42
Malaysia (97)	575.95	-0.1	546.93	360.59	463.92	586.48	-0.1	1.46	576.72	547.23	360.86	462.80	586.95	621.63	382.03	402.18
Mexico (18)	2247.96	-2.0	2134.67	1407.41	1810.66	8389.80	-1.7	1.22	2293.14	2175.85	1434.81	1840.12	8534.51	2847.08	1615.11	1745.31
Netherland (27)	215.23	-0.4	204.38	134.75	173.36	170.78	0.0	3.36	216.10	205.05	135.22	173.42	170.73	218.19	180.25	184.75
New Zealand (14)	72.72	-1.0	69.05	45.53	58.57	64.08	-0.9	3.73	73.44	69.69	45.95	58.93	64.67	77.59	59.22	60.66
Norway (23)	204.67	-0.1	194.36	128.14	164.86	188.96	0.2	1.75	204.97	194.49	128.25	164.48	188.64	211.74	165.52	175.78
Singapore (44)	365.59	1.1	347.15	228.89	294.47	250.60	0.8	1.79	361.70	343.21	226.32	290.25	248.66	378.92	265.31	288.60
South Africa (59)	306.75	-0.5	291.29	192.05	247.07	300.70	-0.5	2.13	308.33	292.56	192.92	247.42	302.05	314.24	176.89	178.89
Spain (42)	141.11	1.1	134.00	88.35	113.66	137.32	1.3	4.20	139.52	132.38	87.29	111.96	135.59	155.79	128.88	139.06
Sweden (36)	227.60	-0.2	216.13	142.50	183.33	253.23	0.1	1.57	227.99	216.33	142.66	182.96	252.87	231.35	175.83	191.47
Switzerland (47)	167.64	0.0	159.38	105.08	135.19	134.44	0.6	1.81	167.82	159.24	105.00	134.67	133.64	176.56	136.70	135.70
United Kingdom (204)	198.83	-0.4	188.81	124.48	160.16	188.81	-0.4	4.00	199.70	189.48	124.95	160.25	189.48	214.86	181.11	190.15
USA (517)	190.67	0.3	181.06	119.37	153.58	190.67	0.3	2.84	190.18	180.45	118.99	152.61	190.18	196.04	178.85	189.82
EUROPE (718)	173.12	-0.4	164.40	108.39	139.44	153.88	-0.1	3.01	173.76	164.88	108.72	139.44	154.09	178.58	153.98	158.51
Nordic (116)	220.73	-0.3	209.60	138.19	177.79	210.47	0.1	1.41	221.31	209.99	138.47	177.59	210.27	222.03	173.18	180.89
Pacific Basin (748)	170.94	0.5	162.33	107.02	137.69	111.58	0.5	1.06	170.15	161.45	106.46	136.54	111.31	178.86	134.79	162.45
Euro-Pacific (1466)	171.74	0.1	163.08	107.52	138.33	128.61	0.2	1.90	171.56	162.78	107.34	137.66	128.30	176.14	143.86	160.72
North America (621)	187.34	0.5	177.90	117.29	150.90	186.78	0.3	2.83	186.78	177.22	116.86	149.86	186.29	192.73	175.67	184.79
Europe Ex. UK (514)	155.45	-0.3	147.63	97.33	125.22	133.18	0.0	2.43	155.98	148.00	97.59	125.16	133.16	158.12	134.97	138.52
Pacific Ex. Japan (279)	269.24	0.4	255.67	168.57	216.87	239.10	0.4	2.71	268.12	254.41	167.77	215.15	238.16	296.21	200.13	202.40
World Ex. US (1647)	173.47	0.1	164.73	108.61	139.73	132.48	0.2	1.91	173.30	164.44	108.44	139.07	132.19	176.85	145.58	160.59
World Ex. UK (1960)	176.13	0.2	167.25	110.27	141.87	146.65	0.3	2.05	175.75	166.76	109.97	141.03	146.23	176.58	155.98	166.95
World Ex. So. Af. (2105)	177.33	0.2	168.39	111.02	142.83	149.36	0.2	2.24	177.04	167.99	110.77	142.07	149.02	180.03	158.54	169.06
World Ex. Japan (1695)	189.41	0.0	179.67	118.59	152.57	179.94	0.1	2.83	189.37	179.69	118.49	151.96	179.66	195.20	174.04	176.66
The World Index (2164)	178.14	0.1	169.18	111.53	143.49	150.47	0.2	2.24	177.87	168.77	111.29	142.73	150.14	180.80	158.85	169.00

Latest prices were unavailable for this edition.

EUROPE

Weak bonds leave bourses trading lower

Bourses fell back in the afternoon as bonds weakened.

AMSTERDAM retreated slightly in line with the performance on neighbouring markets. The AEX index slipped 2.13 to 410.56.

DSM continued to move ahead, helped by reports of brokers' upgrades, with the shares rising at one stage to an all-time high of Fl 156.50, before falling off at the close to finish Fl 2.80 higher at Fl 152.00.

Hoare Govett has put a buy recommendation on the stock and forecast that the chemical's group would continue to show a sharp increase in profits in the next few years, helped particularly by the rise in plastics prices. The broker raised its estimates for 1994 and 1995 earnings per share to Fl 13 from Fl 10 and to Fl 19 from Fl 15 respectively.

The other main story of the day concerned KLM, which said it had bought the stake held by Foster's, the Australian brewer, in Northwest, lifting its holding from 20 per cent to 25 per cent.

KLM said it would use part of the proceeds from its share issue earlier this year to fund tha purchase, estimated at some Fl 180m. KLM closed 10 cents up at Fl 49.40.

FRANKFURT increased its losses in the post-bourse, after a negative earlier session, as the market came under pressure from bunds. The Dax index ended official hours off 11.97 at 2,124.12, and in the Ibis retreated to 2,118.08. Turnover remained low at DM6.8bn.

Brokers do not expect the market to receive a lift from the meeting of the Bundesbank today, with no movement on interest rates expected.

The expiration of options tomorrow has also unsettled investors this week.

ZURICH extended losses during the afternoon, with lower bond futures and the weak dollar depressing the mood. The SMI index lost 21.1 at 2,637.7.

Mr Michael Clark at Robert Fleming Securities commented that relative to the rest of Europe, the performance of the Swiss market had been volatile over the summer, suffering as the key sectors in the market – the financials, chemicals and drugs, and foods – had been out of favour.

Although sentiment towards these stocks had changed somewhat in the past few weeks, he said, it did not appear to be enough to generate any further significant recovery in the prices of stocks such as Nestlé and the drug issues, except possibly Roche, for the time being.

Among chemicals, Roche certificates declined SFr70 to SFr6,155 and the Sandoz bearer shares finished SFr8 cheaper at SFr692.

CS Holding, upgraded to a buy by James Capel following its decision to withdraw its bid for Austria's Creditanstalt-Bankverein, slipped SFr3 to SFr564, while UBS retreated SFr8 to SFr1,212.

Nestlé weakened SFr16 to SFr1,220 as investors sold holdings ahead of today's half-year figures.

Cyclicals put in a firmer performance, with BBC bearers SFr3 higher at SFr1,172 and Sulzer registered SFr11 ahead at SFr692.

PARIS was upset by pressure in the matif, sending the CAC-40 index down 16.42 to 1,952.94. The index moved in a range between 1,968 and 1,949 as turnover reached FFr2.8bn.

Peugeot was hit by the news of the imminent Renault privatisation, its shares falling FFr29 to FFr796.

Better news came to the assistance of Bancaire, up FFr34.20 at FFr487.50, as it reported good first-half figures.

MILAN remained on the upward track in technically driven trade ahead of today's end of the September account. The Comit index rose 6.74, or 1 per cent, to 654.93.

Insurers led the market's advance, with Generali rising L750, or 1.8 per cent, to L41,550 ahead of the bonus one-for-10 rights issue which begins tomorrow.

Mediobanca put on L200 at L13,900 after the merchant bank said that its capital increase, postponed because of poor market conditions in June, would be discussed at a shareholders meeting on October 28.

● The FT-SE Eurotrack Indices committee has approved the quarterly changes to the FT-SE Eurotrack 100 and 200 indices. The following constituent changes will be made on September 19: for inclusion, KPN, INA and Philips Electronics; for exclusion, Fomento de Construcciones, Banca Commerciale Italiana and Stet. On the indicative reserve list: Telecom Italia, Schneider, Volkswagen (Reg), Investor "B", Zurich Insurance (Reg) and Akzo Nobel.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Sep 14 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1368.19	1369.35	1368.80	1365.26	1361.86	1360.03	1361.28	1360.88
FT-SE Eurotrack 200	1416.10	1408.41	1409.22	1408.71	1403.57	1403.26	1404.56	1401.66

	Sep 13	Sep 12	Sep 9	Sep 8	Sep 7
FT-SE Eurotrack 100	1367.41	1368.09	1370.03	1360.01	1371.13
FT-SE Eurotrack 200	1412.44	1416.17	1416.30	1431.14	1429.33

Base 1000 (26/10/90): High/day: 100 – 1368.19; 200 – 1410.24 Low/day: 100 – 1359.97 200 – 1401.43 † Partial

ASIA PACIFIC

Nikkei eases as Seoul posts intraday record

Tokyo

Speculative sales, corporate profit-taking and index-led selling by arbitrageurs pushed the Nikkei 225 average lower, *agencies report from Toyko.*

However, many investors remained absent ahead of today's national holiday.

The Nikkei 225 was down 126.38 at 19,919.38 after a day's high of 20,040.71 and low of 19,906.08.

With public funds quiet, the market was weighed down by domestic corporations engaged in last-minute profit-taking on short-term tokkin funds, index-led selling by arbitrageurs, and investors taking short positions on speculative shares. Foreign investors were mostly inactive.

Volume on the first section was estimated at 270m shares, down from Tuesday's 339.2m. Retreating stocks outnumbered rises by 743 to 227, with 207 issues unchanged. The Nikkei 300 slipped 1.52 to 289.24 and the Topix index shed 8.55 to 1,583.96. In London the ISE/Nikkei 50 index was off 0.70 at 1,294.37.

Turnover on the second section was estimated at 7m shares, little changed from the previous day's 6.6m.

Tsumura, a Chinese medicine manufacturer, became the target of speculative selling, falling Y120 to Y1,050 on the day's third biggest volume of 6.2m shares. Newspapers reported that the company faced business and management difficulties.

Magara Construction dropped Y65 to Y905 on turnover of 2.4m shares, while Sanrio declined Y180 to Y1,430.

After the market closed, Hanwa, a steel trading company, announced that it expected a large net loss for the first fiscal half – likely to total Y175bn.

The share price of Hino Motor jumped Y21 to Y959 following its announcement that it expected to see pre-tax profits rise by 2.2 times in the current fiscal year. Nissan Motor, following Tuesday's advance, receded Y8 to Y785 on turnover of 2.7m shares.

Nippon Telegraph and Telephone moved forward Y6,000 to Y894,000 and DDI improved Y2,000 to Y886,000, but the newly listed Japan Telecom finished Y50,000 weaker at Y4.15m, unable to sustain a morning rally.

Roundup

Some regional markets moved sharply higher.

SEOUL continued its advance, in spite of Won25bn of sales by the stock market stabilisation fund, which stepped in shortly after the composite index hit a record high of 1,007.98. The index ended 3.98 up at 999.36 amid speculation that securities regulators would meet tomorrow to discuss overseas listing by primary blue chips.

Samsung Electronics renewed its record peak, gaining Won3,000 at Won144,700.

BANGKOK rallied throughout the day, led by recently weak banks, and the SET index closed 28.41, or 1.9 per cent, better at 1,536.14. Turnover rose to Bt12.7bn from Bt7.09bn.

TAIPEI was propelled 1 per cent higher by a late surge in financial stocks, which took the weighted index above 7,000.

Demand for the Big Three commercial banks, fuelled by the lifting of a three-day routine ban on margin trading a month before shareholder meetings by Chang Hwa and Hua Nan, pushed the market up 70.16 to 7,025. Turnover was an active T$69.79bn.

Chang Hwa climbed T$13 to T$206, Hwa Nan T$14 to T$229 and First Commercial, which still has two days of its three-day ban to run, T$12 to T$194.

MANILA rose on renewed buying of blue chips and some second liners. The composite index finished 28.35 ahead at 2,981.59 as investors positioned themselves in anticipation of the announcement of a new basket of shares in the index, expected laber in the day.

Metro Bank surged 10.3 per cent to 800 pesos amid reports that it will be included in the index. The newly listed Mondragon jumped 7.81 per cent to 7.50 pesos.

HONG KONG encountered selling of property and finance shares from London, which wiped out earlier gains, and the Hang Seng index closed 90.61 down at 9,846.40.

Some brokers said the late selling followed allegations by the Beijing-controlled China News Agency that the colonial government had given Jardine Matheson a container terminal contract in return for its support for Governor Chris Patten's political reform programme. But there was little impact on the Jardine shares, Jardine Matheson easing 50 cents to HK$74.25 and Jardine Strategic 40 cents to HK$32.40.

The Hang Seng index of 11 H shares shot up 46.48, or 3.2 per cent, to a day's high of 1,518.37 before profit-takers dragged it back to finish at 1,478.69, up just 6.90.

SINGAPORE drifted lower in drab dealings, while Malaysian stocks traded over the counter fell back from intraday highs. The Straits Times Industrial index eased 1.35 to 2,298.31.

KUALA LUMPUR ended well off the day's high after profit-taking took its toll of a market still driven by rotational play of speculative stocks. The composite index closed 4.73 up at 1,173.84 after touching 1,182.29.

KARACHI was supported by hopes that foreign interest in an offering of Pakistan Telecommunications Corporation vouchers abroad would boost confidence in the domestic market. The KSE 100-share index climbed 23.56, or 1.1 per cent, to 2,212.33. Brokers said yesterday the PTC issue could be heavily oversubscribed.